Kon. Bat. Gen.
IV
8

from 'Survey of International Affairs, 1934'

THE FAR EAST
1934

By

G. E. HUBBARD

Reprinted for the Sixth Conference of the Institute of Pacific Relations held at Yosemite, California, from August 15th to 29th, 1936

United Kingdom Papers, No. 1

ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS
CHATHAM HOUSE, ST. JAMES'S SQUARE, LONDON, S.W. 1
1936

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

IV 8

Extract from 'Survey of International Affairs, 1934'

THE FAR EAST 1934

By

G. E. HUBBARD

Reprinted for the Sixth Conference of the Institute of Pacific Relations held at Yosemite, California, from August 15th to 29th, 1936

United Kingdom Papers, No. 1

ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS
CHATHAM HOUSE, ST. JAMES'S SQUARE, LONDON, S.W. 1
1936

BAT. GENOOTSCHAP VAN K. EN W.

PERPUSTAKAAN NASIONAL RI.

The Royal Institute of International Affairs is precluded by its Charter from expressing an opinion on any aspect of international affairs; any opinions expressed in this paper are, therefore, purely individual.

PERPUSTAKAAN NASIONAL R.I.
Tanggal : 28-6-2010
Nomor Induk : 22/PA-Museum/10
RIS - ID : 0010-082301324O
ITEM - ID : 0000378644
Asal : Museum Pusat

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

PREFATORY NOTE

At the request of the International Secretariat of the Institute of Pacific Relations the Far Eastern Section of the 1934 volume of Professor Toynbee's annual *Survey of International Affairs* has been reprinted in pamphlet form, by courtesy of the Oxford University Press, as one of the British documents to be presented to the Round Tables at the forthcoming Yosemite Conference. The chapter provides a narrative of events for the year 1934—though in some cases the record has been carried into the earlier months of the following year—and it is intended to issue an advance print of the record for 1935 which will appear in the *Survey* for that year, if this can be completed in time for circulation before the Conference. The compilation of the Far Eastern Section of the *Survey* for the two years in question was entrusted by Professor Toynbee to the undersigned writer whose name appears as author of this Section in the pages of the *Survey*.

The *Survey of International Affairs, 1934*, was published by the Oxford University Press for the Royal Institute of International Affairs in November, 1935. The section, which is here reprinted, is in its original form without alteration.

G. E. HUBBARD

CHATHAM HOUSE
ST. JAMES'S SQUARE,
LONDON, S.W. 1.
March, 1936

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

PART IV

THE FAR EAST

By G. E. Hubbard

(i) Introductory Note

THE calendar year 1934 fell entirely within the two-years' term which had to elapse, according to the Covenant of the League of Nations, between the serving of notice of the Japanese Government's intention to withdraw from membership of the League—a step which had been taken by the Japanese Government on the 27th March, 1933[1]—and the legal consummation of the withdrawal on the 27th March, 1935. While this conventional period was running out, the Japanese Army on the Continent stood at ease. Between the conquest of the province of Jehol, and its forcible annexation to Manchukuo, in February and March 1933,[2] and the new forward move in Hopei and Chahar in June 1935, there were no startling Japanese military operations, or even demonstrations, at China's expense; and the military situation in the borderland between Manchukuo and Intramural China continued to be governed by the Tangku Armistice, which the Japanese military authorities had dictated to the Chinese on the 31st May, 1933.[3] In fact, Sino-Japanese relations during 1934 were more or less stationary; and in Russo-Japanese relations during the same year there was a positive *détente*—of which the measure is given by the final completion of the arduous and long-drawn-out negotiations for the sale of the Soviet Government's interest in the Chinese Eastern Railway to the Government of Manchukuo.[4] This transaction was perhaps the most important single international event of the year in the Far East; and it was an achievement which was of good augury for the maintenance of peace. On the other hand, an ominous shadow of untoward coming events was cast by the series of semi-official or demi-semi-official Japanese declarations in which the unpalatable notion of a 'Japanese Monroe Doctrine' for the Far East was delicately introduced to Occidental minds—American as well as European.[5]

In this, as in previous, year some account of the internal history

[1] See the *Survey for 1933*, pp. 515–16.
[2] *Op. cit.*, pp. 478–80.
[3] *Op. cit.*, pp. 481–2.
[4] *Op. cit.*, pp. 518–30, and the present part of the present volume, section (v) below.
[5] See the present part of the present volume, section (v), pp. 646, 649, *seqq.*, below.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

of both Japan and China has been included in this *Survey*[1] in the belief that this is essential to an understanding of the international affairs in which each of these two countries took part. In Japan the year 1934 was marked by a respite from Fascist acts of terrorism; in China by an unprecedentedly successful military campaign which was carried out by the forces of the Central Government against the Communist organizations in the southern part of the Yangtse Basin.

Finally, some attention has to be given, in the Far Eastern annals of 1934, to the rival radiation of Japanese and Russian and British influences into those vast inland territories outside the Great Wall of China—Manchuria, the Mongolias, Sinkiang and Tibet—which had been inherited *de jure* by the Chinese Republic from the Manchu Empire but which were all apparently now passing *de facto* out of Chinese control.[2]

(ii) Internal Developments in China

In 1933 a tendency was already discernible for responsible opinion in China to resign itself to the idea that a period of Japanese ascendancy was inevitable,[3] and to concentrate upon the building up of a 'strong and united China' which might prove capable at a later date of recovering lost territories and recapturing political freedom. An acceptance of this dual policy was implicit in the Chinese Government's general line of action in 1934. Further friction with Japan was studiously avoided, while the principal effort of the Government was directed against the immediate obstacle to national reconstruction, namely the bloc of Communist domains in Central China. A review of Sino-Japanese relations throughout the course of the year is reserved for a later chapter in this part; in the present chapter we have to consider Chinese internal developments bearing on China's prospects of political and economic regeneration.

It was a singular misfortune for China that at a time when her external relations called for a special endeavour to strengthen her position at home, she should have found herself sunk in an economic depression which was aggravated by causes beyond her own control. In 1934 unusually serious droughts affecting twelve of her provinces resulted in poor harvests over a great part of the country and increased the prevailing distress among the peasantry. Foreign trade continued to contract—imports falling by one-third below the 1933 level,[4] and

[1] In the present part, sections (ii) and (iii).
[2] See the present part, section (vi) below.
[3] See the *Survey for 1933*, p. 483.
[4] Between a third and a half of the decline was accounted for by reduced imports of foodstuffs. In the case of rice this was attributed mainly to the

exports by one-eighth, with a 50 per cent. reduction in two of the principal staples, raw cotton and silk. Industries generally were at a low level, and in particular the cotton mills in the treaty ports were reduced to dire straits, 1934 being described as the hardest year which they had ever had to experience. Lastly, financial stability was severely shaken by the export of a quantity of silver estimated to amount to nearly $400,000,000 (Chinese) and to represent as much as one-sixth of the total in circulation. This loss of the basis of China's currency, which was disastrous both on account of its deflationary effect and of the uncertainty and destruction of confidence which it provoked, was due in the first instance to the raising of silver values by American Government purchases[1] which caused the price of silver in London (the principal silver market) to rise to as much as $3\frac{3}{4}$ pence above the price in Shanghai,[2] and thus created an irresistible inducement for the drain of silver out of China. It also reflected the heavy adverse balance in China's trading transactions,[3] which, though less by $238,000,000 than in the previous year, was still far too great to be rectified by the normal ingredients of Chinese 'invisible exports'.

One aspect of the silver question which may conveniently be mentioned at this point, though falling properly within the category of external relations, was the repercussion of the United States Government's silver policy upon Sino-American relations. Inquiries as to Washington's future intentions in regard to the regulation of silver prices, and representations concerning the menace to China's interests, were made by Nanking as soon as the seriousness of the position created by the American Silver Purchase Act[4] began to declare itself in the month of August 1934. Later, on the 23rd September, assurances were specifically asked for against further action calculated to increase the drain of silver from China. The response of the United States Government to this appeal emphasized the obligation under which the Administration lay to achieve the objects of the Act, though a promise was added that the Treasury would do what was possible to consider Chinese interests in conducting its operations. The smallness of the comfort derived in Nanking from this answer was indicated by the fact that four days later the

imposition of an import duty designed to raise internal prices. In the case of wheat imports, which decreased by 60 per cent., it has to be remembered that 1933 was an abnormal year owing to the American wheat loan.

[1] See Part I of the present volume, section (ii) (d), pp. 17–20, above.

[2] At the beginning of the year the difference had been no more than 0·18 of a penny. See the Bank of China Report for the year 1934.

[3] The figures of the adverse balance were as follows: 1932, $867,000,000; 1933, $733,000,000; 1934, $495,000,000. Exports of gold from China had been heavy for some years past.

[4] See pp. 17–19, above.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

Government there took the decisive step of placing a virtual embargo on the export of silver from China. There can be little doubt that the lack of consideration for China's vital interests which the Chinese attributed to the United States in this matter did much to weaken their belief in the disinterestedness of American Sinophilism which had become an established dogma in the relations between the two countries.

Notwithstanding the blows of Fortune which befell China in 1934, this year saw her make tangible progress in the schemes of economic reconstruction which the National Economic Council had taken in hand. The execution of the Council's road-building programme advanced so far that the addition of 8,000 kilometres within the preceding ten months could be reported to the Central Executive Council at its plenary session in November, though the significance of this achievement was somewhat lessened by the fact that a considerable part of the new mileage was represented by military roads required for the operations against the 'Reds', and as such was of somewhat transient value. In the matter of railway construction the trunk line, known as the Lung-Hai, which was designed to traverse the country from east to west, was carried to Sianfu, the capital town of Shensi, whence a road was begun towards Lanchow, the capital of Kansu. This road was in part a revival of the ancient 'Silk Road' of Roman times, connecting China with the West. In the case of another prospective main artery, the Canton–Hankow Railway, the gap in the centre, which had existed since its original construction in 1912–13, was materially diminished; arrangements were concluded with the British and Chinese Corporation for the long-delayed completion of the Shanghai–Hangchow–Ningpo Railway originally contracted for in 1908, and work was begun on a new line which, starting from a point on the Canton–Hankow Railway, was to pass through the important coal-mining centre of Pinghsiang and thence through Nanchang, General Chiang's military headquarters, to Hangchow and the sea. Thus a considerable advance was made in the course of the year towards providing in Central China what had been markedly lacking, namely a system of railways running east and west. Finally railway extensions, allegedly financed by Japanese funds, were reported to have been begun in Marshal Yen Hsi-shan's province of Shansi. In the sphere of agricultural improvements, which Dr. Rajchman, the League's Technical Agent, singled out in his report[1] as the field for particular effort, the chief progress made was in the organization of farmers' co-operative

[1] See p. 649, below.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

societies—the number of societies increasing in the course of the year from five thousand to fourteen thousand—and in the establishment of technical training centres. The Cotton Commission of the National Economic Council established a number of research stations and grading centres and assisted in the formation of cotton co-operative societies which received loans from the banks approximating to $1,500,000. The Council also continued its important work of water conservancy along several of the principal rivers, including the Yangtse, the Yellow River, the Han and the Hwai.

Chinese public finances reflected the influence of the economic depression combined with the continued high level of military expenditure, which rose from $321,000,000 (Chinese) for 1932–3 to $373,000,000 for 1933–4. The Finance Minister's review of the two-year period up to June 1934 showed a deficit in the national budget of $147,000,000 (Chinese) for 1933–4 (which exceeded the deficit for the previous twelve months by $61,000,000), and he regretfully recorded the fact that the Central Government had been forced to revert to the practice of covering current expenses by public borrowing, the proceeds of loans floated during the two years, including the American Wheat Loan, being $180,000,000 (Chinese).

Inter-provincial relations, though undergoing no radical change during the course of the year, may be said, in the language of the stock exchange, to have shown a 'firm undertone'. Co-operation between the South and Nanking in conducting the anti-Communist campaign was of a fitful nature and led, on several occasions, to unsatisfactory results which called forth mutual recrimination between the nominal allies. On the other hand, the suspicion which had attached to the Southern leaders in the past, of attempting to exploit the Communist factor in order to strengthen their own hand *vis-à-vis* Nanking, appeared to have lost much of its plausibility. On political issues generally there was little abatement of Cantonese criticism of Nanking; and this, taken together with the action of the Cantonese leaders in the matter of the Party National Congress, which will be described later, showed that Southern separatism remained a very serious problem.

Little change occurred in the North, where General Huang Fu,[1] the Chairman of the Peiping Political Council, continued to maintain a tolerable *modus vivendi* with the Japanese authorities while remaining on close terms with the Government at Nanking. Of this Government he became, indeed, a member through his appointment as Minister of the Interior, a post which he held concurrently with his Northern

[1] See the *Survey for 1933*, pp. 461 and 463.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

provincial appointment. His long absences from Peiping and his difficult relations with the ex-Manchurian and ex-Kuominchün generals, who between them controlled a large portion of the local Chinese troops, weakened his authority in his own province and led to a revival of the old party jealousies and personal intrigues which had been so damaging in the past and were now still more disastrous when unity was so much needed to face the danger of foreign intrusion. In Western China, on the other hand, there were signs in 1934 of a change in the relations between the Central Government and the regional authorities. The province of Szechuan, which since the rise of the National Government had remained a detached unit under the unchallenged control of its local military commanders, took a step towards unification at the end of the year—a step which, it is true, was forced upon them to a great extent by their need for assistance in meeting the vital threat from the Communist forces of the province,[1] who were now reinforced by fugitive troops from the broken-up 'Red' stronghold in Kiangsi. General Liu Hsiang, the Provincial Chairman and the chief of the Szechuanese Generals, visited Nanking towards the end of the year to arrange for help from the Central Government. This was granted in the form of a monthly subsidy by the Central Government of $800,000, which was to last during the suppression campaign; in return General Liu undertook to submit all important matters to the Nanking Government's decision.[2] Unfortunately, General Liu's own authority in his province was far from being firmly established, since it was opposed both by rival Generals and by the Communists. General Han Fu-chu, who in Shantung pursued the same conciliatory line of action towards the Japanese as his colleague in Hopei, was another important leader who, after a long absence from the capital, paid a visit in 1934 for personal consultation with the members of the Government. The attitude of another representative of the old Northern 'war-lords' gave, however, some grounds for doubt about his solidarity with the National Government. This was Marshal Yen Hsi-shan of Shansi, who in the eyes of his Chinese critics showed undue subservience to Japanese influence and was even reputed by them to be concerned in a monarchical movement engineered from Hsinking.

The Nanking Government itself, though displaying on the whole more solidarity than had characterized the central administration in earlier years, was composed of several clearly distinguishable elements.

[1] These were part of the Communist bandit forces, formerly established in the Han River area near Hankow, which Chiang Kai-shek had dispersed in 1932.

[2] See *The Times*, 17th December, 1934.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

Firstly, there was the Generalissimo, Chiang Kai-shek, whose predominant influence rested on the Army and his own group of followers; secondly, Mr. Wang Ching-wei, who derived his power from the Kuomintang organization and his own group of partisans; thirdly, Mr. T. V. Soong, who, although he had resigned from the post of Minister of Finance,[1] continued to play a leading role in Government affairs and was generally believed to retain the direction of China's financial policy. Of these three personalities it was Mr. Wang Ching-wei who, in spite of his close connexion with the Party and his earlier association with the intransigent South, showed himself to be most favourably disposed towards a *rapprochement* with Japan. Mr. Soong maintained his reputation of a stern opponent of this policy, an attitude which had probably been the chief cause of his departure from office, while General Chiang was considered to occupy a middle position in regard to Sino-Japanese relations.

To General Chiang Kai-shek personally was due much of the credit for whatever strengthening of the central authority occurred in 1934, as well as for the destruction of the Communist bloc in Central China. His reputation as a man of exceptional energy was enhanced by his record of activity during the year. From his head-quarters at Nan-chang, on the edge of the Communist territory, he directed in person the campaign against the 'Reds'. At the same time it was patent that in civil affairs he was maintaining his ascendancy, although the burden of current administration was supported by Mr. Wang Ching-wei as President of the Executive Yuan. A notable example of the Commander-in-Chief's unsparing use of his energies was his departure by aeroplane, when momentarily released from the cares of the anti-Communist campaign, on a visit to ten provinces in the North and West of China. His unobtrusive and well-received tour through outlying parts of the Republic, and his personal exhortations to the local officials and population, made a new and significant development in governmental methods in China, where distance had hitherto formed one of the chief obstacles to the effectiveness of central control.

On the cultural side the stirring of China's national consciousness received an impulse, the strength of which won widespread foreign testimony, from a movement initiated by General Chiang Kai-shek under the name of the 'New Life Movement'. Launched at a large mass meeting at Nanking in the month of March 1934, the movement aimed at raising the standards of the common people in their every-day habits and conduct and was in some ways a revival of Confucian

[1] See the *Survey for 1933*, p. 463.



ideals of life.[1] It was started with the object of helping forward the Government's plans for the economic and agricultural rehabilitation of the areas recovered from the Communists. It was soon found to be making a national appeal, and its founder recognized, and set out to develop, its value as a unifying force among the whole population of China. In this respect it bore a certain resemblance to the contemporary parallel movement in Germany which aimed at the standardization and state regimentation of national behaviour.

The anti-Communist campaign of 1934, to which we have already had occasion to refer, was the last of a series of attempts by the Central Government's forces to dislodge the 'Red' Armies from the region south of the Yangtse which for some six years had been a Communist preserve. By the summer an increasingly close blockade had produced a desperate shortage of the necessities of life in the area, in particular of salt. This pressure provoked a sortie by the 'Reds' from their stronghold in Kiangsi into the adjoining province of Fukien; and in August Communist troops came within twenty-five miles of the treaty port of Foochow. The outbreak was, however, effectively countered by the Government troops, and at the end of the month the long-planned general assault was launched against the Kiangsi Communist centre. Success attended these operations. On the 10th November, 1934, Shuikin, the head-quarters of the 'Soviet Republic', was captured; and a fortnight later the last Communist base in Fukien, the town of Tsingliu, fell to the Government. The Communist armies, though now broken up, were far from being demolished and, with the mobility for which they had already made themselves famous, they scattered into groups which made their appearance at widely separated points in the adjoining provinces, where they threatened hitherto unscathed towns and districts. Barred by the Canton armies from entering Kwangtung and Kwangsi, a considerable section marched into Kweichow, and later almost succeeded in seizing Kweiyang, the provincial capital. A still more important body went west into Hunan, heading for Szechuan, where a powerful Communist centre already existed in the north-eastern part of the province. The position at the end of the year showed aggregation of 'Reds' in four principal regions—on the Kweichow-Szechuan border, in the north-east of Szechuan, in the south-east corner of Shensi and in the extreme west of Hupei, where the famous Communist leader Ho Lung was in command. There were thus two bodies of Communists sundered by the Yangtse River, and the

[1] In this connexion it may be noted that the annual Confucian celebrations were revived by the Central Government in 1934.

Government were left with the task of preventing them from joining hands and then building up a fresh Communist bloc in the west of China within easier reach of Russian influence in Central Asia.

The recovery of Kiangsi put an end to a Communist régime which, according to an estimate given by Chiang Kai-shek,[1] had rendered six million people homeless and had taken a toll of a million victims slaughtered in cold blood in the course of its six years' existence. After the conclusion of the military operations, reconstruction work was taken in hand and, according to the report of newspaper correspondents who visited the liberated area, the 'Rehabilitation Commission'[2] lost no time in organizing centres to deal with the pressing problems of reconstruction, including public health missions, organs for establishing farmers' co-operative societies and local defence corps. Press reports from recovered areas in other parts of China indicated, however, that this efficient handling of the problem was not universal and that in some districts the old abuses were creeping back unchecked by official action.

The elimination of 'Soviet Republics' established in the heart of China, if of permanent effect, was manifestly a substantial step forward towards that consolidation and concentration of national effort which, in a manifesto issued to the nation at the close of the fourth plenary session of the Kuomintang Central Executive Council on the 25th January, 1934, was described as the sole path to national salvation.

It now remains to record the progress made in 1934 in the task of developing a permanent political constitution for adoption at the end of the period of Party tutelage, which had been fixed for 1935, when China was to emerge as a fully democratic state.

In the preceding volume of this work it was mentioned that a Cantonese opposition caused the adjournment of the Kuomintang National Congress which had been due to be held in July 1933.[3] The new date fixed was the 12th November, 1934. Early in September a circular telegram was issued over the signatures of General Chen Chi-tang and the other principal Southern leaders, calling on the members of the Party to unite in 'demanding a radical change in national policies at the National Congress'. The Government at Nanking

[1] See *The New York Times* of the 23rd December, 1934.

[2] See the *Survey for 1933*, p. 470.

[3] The Party National Congress had the important function of electing the various committees which, in combination, constituted the Government of China. During adjournment, its powers were exercised by the Central Executive Committee, which met periodically in plenary session, but had a small Standing Committee.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

were accused by the signatories of having violated decisions taken at the previous meeting of the Congress in November 1931[1]—that is, shortly after the beginning of the war in Manchuria—which had called for active resistance to encroachments on Chinese territory. It was incompatible with these decisions, the document stated, that the Government should have agreed to the Tangku Armistice, concluded the through-traffic agreement for the Peking–Mukden Railway and made other similar concessions to Japanese requirements. The signatories of the telegrams also denounced the spread of the Fascist movement in Central and Northern China—a thinly veiled attack on the person of the Commander-in-Chief—and they strongly criticized the new customs tariff.[2] This manifestation of the old hostility of the Canton leaders towards Chiang Kai-shek and his policy may have been inspired by the suspicion, which was rife at the time, that Nanking intended to use the authority of the Congress for dissolving the South-West Political Council; in any case it became clear that Canton was violently opposed to the holding of the Congress and might proceed to extremes if the Central Government insisted on its convention. The latter body discreetly gave way and the Congress was once more postponed for a year.

Meanwhile, two plenary sessions of the Central Executive Council were held during the course of the year. The principal act of the first, which took place in January, was the re-election for two years of Mr. Lin Sen as President of the National Government. In August 1934 there was published a revised draft of the Permanent Constitution. The existing 'five-power' framework of the Central Government[3] was to be retained, but the ultimate authority which had been exercised by the Party was to repose in two popularly elected bodies, and election was to be by universal adult suffrage. The former of these bodies, the People's Congress, was to meet once in two years and was to elect and recall the President of the Republic and all the executive heads of the Government, except the Chairman of the Executive Yuan, who was to be responsible to the President. The junior representative body, which was to be called the People's Committee, was to have powers to convene extraordinary sessions of the Congress, to supervise referendums (which were to be a regular element in the new constitutional system, being applied even to

[1] See the *Survey for 1931*, p. 414.

[2] A new import tariff had been introduced on the 3rd July, 1934. The reduction of rates on certain cheap cotton goods and on sea-products, with a raising of the rates for woollen goods, metals and manufactured and raw cotton, was regarded as a surrender to pressure from Japan.

[3] See the *Survey for 1928*, pp. 389–90.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

the budget) and to impeach the higher Government officials. The President of the Republic was invested with wide powers, including that of declaring war, negotiating foreign treaties and appointing civil and military officials; and he was to be responsible to the People's Congress alone. No striking changes were provided for in the draft in regard to local government in the provinces. China as defined in the document included Manchuria and Jehol.

At the second of their two plenary sessions, in December 1934, the Central Executive Committee remitted this draft Constitution for report by a special committee, prior to the holding of the Kuomintang National Congress which had been postponed till November 1935. The drastic changes, involving the surrender of sovereign power by the Kuomintang or by individuals exercising rule in its name, which the acceptance of the draft Constitution would imply, appeared to have been brought only slightly nearer to practicability by internal political developments during the course of the year. It may reasonably be suggested that more real importance attached to a programme of immediate reforms which was presented by General Chiang and Mr. Wang Ching-wei at the December plenary session. The most vital suggestions put forward in this document were for an extension of Central Government control over provincial administrations, particularly over the appointment of provincial officials, and a clearer demarcation between central and regional control of military forces. An important proposal in this connexion was that all purchases of military equipment from abroad for regional, as well as national, armies should be made by the Central Government.

(iii) Internal Developments in Japan

The chapter in the history of Japan's international relations which opened in 1931 with her military invasion of Manchuria, which continued through the three succeeding years, and which was marked in 1933 by her withdrawal from the League of Nations and in 1934 by her enunciation of a Japanese 'Monroe Doctrine for Eastern Asia',[1] was so closely linked up with the domestic situation in Japan that a brief chronicle of the country's internal developments is, as on previous occasions, a necessary prelude to a survey of its foreign affairs in the year 1934.

As can be seen by reference to previous volumes of this *Survey* a political revolution had been averted—though this only by a narrow margin—in the course of the rise to power of the military-Fascist

[1] See section (iv) of this Part.

PERPUSTAKAAN NASIONAL RI.

elements between 1930 and 1932; and, thanks largely to the elasticity of the traditional Japanese system, which left ultimate decisions in times of national emergency in the hands of a few individual high advisers to the Throne, Japan had been able to preserve at any rate the outward form of parliamentary government. Acute tension between the 'military' and 'civilian' groups had resolved itself into a compromise, and the outcome was a bureaucratic administration which, according to the view held of the degree of influence enjoyed by the more liberal members of the Cabinet, might be described either as a constitutional façade for the military-Fascist faction, bridging the way to its probable future dictatorship, or alternatively as a logical adaptation of Japan's democratic political system to certain widespread changes in the social and political ideals of the country. In any case, the formation of the Saito Government, after the assassination of the Seiyukai Prime Minister Mr. Inukai in May 1932, had definitely arrested the development of the two-party system towards which Japan had been previously tending; and the eclipse of political parties became increasingly apparent in the year now under review.

The Saito Government was brought to an end in July 1934 by a cause which had not infrequently overthrown Japanese Cabinets in the past, namely a financial scandal implicating a member of the Government. Mr. Kuroda, the Vice-Minister of Finance, was indicted, and subsequently imprisoned, for complicity in the fraudulent sale of shares of certain rayon and steel works; and on the 3rd July, 1934, following the usual practice in such circumstances, the Cabinet resigned. On the advice of Prince Saionji, the last surviving *genro*, the Emperor called upon Admiral Okada to form a new Government. Admiral Okada was a distinguished senior officer who had served under Viscount Saito as Minister of Marine till the previous January, and, while known as a man of moderate views, was a strong supporter of the Japanese demand for a powerful Navy. His appointment implied a minimum of change in the complexion of the Government. Mr. Takahashi, the veteran Minister of Finance, whose position had been compromised by the Kuroda scandal, was succeeded by the Vice-Minister,[1] Mr. Fujii, but the Foreign, War and Navy Departments remained in the hands of their previous incumbents. Any possibility of the change of Government resulting in a revival of the influence of the parties was destroyed by the action of the Seiyukai Party itself, which, failing to obtain its demands in the matter of Cabinet appointments, refused its support to the new Prime Minister and expelled the three members of its own organization who accepted

[1] Mr. Takahashi returned to his post in December 1934.

office. The new Cabinet contained non-party men in the five principal departments—War, Navy, Foreign Affairs, Internal Affairs and Finance—with three Seiyukai and two Minseito members holding minor posts.

The general impression produced by the Okada Government was that of moderation both in foreign and in domestic affairs. Their domestic policy was thus described by the Tokyo correspondent of *The Times* after their first three months of office:

> In domestic policy the Government's objects are equally moderate. Politically they seek to do no more than hold the fort for that measure of democracy which functioned in Japan before the Manchurian crisis swept it into temporary retirement. They aspire to no dictatorship of their own members, and are disposed to resist such aspirations on the part of others. Economically, they seek to establish the measure of sound finance which recent emergencies will permit, and to relieve the pressure on the rural population which has been the natural concomitant of industrial expansion, which has, perhaps, been too rapid. They wish to accomplish this without radical reorganization of the national economy and without making a predatory attack on the financial and industrial classes who are, after all, the most progressive elements of the nation.

Moderation as applied to Government action in Japan could, however, be only a relative term so long as the more extremist elements in the country possessed that power of asserting their will of which they had given such decisive proof in the previous two years. Japanese organizations of a Fascist character ranged from the Kokuhounsha, which was presided over by Baron Hiranuma, the Vice-President of the Privy Council, and which contained among its eighty thousand members many representatives of the land-owning, capitalist and official classes, to the notorious 'Blood Brotherhood' which had been responsible for the murders of Mr. Inouye and Baron Dan in 1932; and their total number was estimated to be over one hundred, while the Society of Reservists, which was strongly under the influence of 'militarists' of the type of General Araki, the former Minister of War, was credited with an active membership of about half a million persons. Although during 1934 there were no assassinations of prominent politicians nor overt acts of terrorism such as had marked the previous two years, there was ample evidence, if not of the Government's subservience to irresponsible influences from without, at least of their powerlessness to curb illegitimate political activities. Throughout the year the country was 'instructed' in matters of national policy by a series of manifestoes issuing from military quarters; and this culminated in a publication put forth in

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

October by the Ministry of War asserting the need for an increase in national defence and urging, for this purpose, the suppression of the capitalist system and the return to a 'moral economy'. In December the War Minister was himself violently attacked by the military left wing in a propaganda pamphlet which was said to have the support of over 100,000 signatures. The pamphlet demanded a more drastic policy both at home and abroad, and its appearance threatened for a time to bring about the Minister's resignation. It was credibly reported also that various Government officials, including diplomatists, were visited by emissaries of the Army, were questioned as to their attitude on matters of national policy, and were compelled under personal pressure to send in their resignations if they failed to pass the test. The recurring crisis over the Army and Navy estimates resulted in the overthrow of Mr. Fujii, the Minister of Finance, whose attempts to check expenditure under these heads incurred the displeasure of the militarists. His place was filled by the return to office of his predecessor, Mr. Takahashi.

The championship of the agricultural classes, which had figured prominently in the reformers' programme, did not avail to secure for the Japanese farmers any increase of Government financial support in 1934, their claims being sacrificed to those of the Army and Navy when the choice between the two had to be made in the budget allocations. Under the Government scheme the agrarian relief budget for the year was reduced from 159,000,000 to 79,000,000 yen; and, in spite of repeated agitation in the Diet, nothing more was done to help the rural population till the critical situation, resulting from the damage inflicted by the severe typhoon which visited Japan in September and from other natural disasters which occurred in the autumn, obliged the Government to call a special session of Parliament on the 27th November. A supplementary budget was then passed for the relief of the sufferers, to be spent mainly on long-term projects. The sum to be raised for the purpose, amounting in all to 210,000,000 yen, was to be spread over three years, and this added a burden of approximately 70,000,000 yen to the annual budgets. Meanwhile, the distress of the farmers which has been described in the *Survey for 1933* was even further aggravated. The bumper rice crop of the preceding year was followed by the worst since 1913, with no adequate rise in price to compensate the cultivator, while the year's harvest of silk cocoons, which was slightly less in quantity than in 1933, was in value reduced by as much as 60 per cent. The effect was a fall in the aggregate receipts, derived by the farmers from their two staple sources of income, which was estimated to be from 1,379,000,000 to

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

867,000,000 yen.[1] Indebtedness to landlords, which was the crux of the peasants' misfortunes, remained unrelieved in spite of efforts by a group in the Diet to move the Government to establish a moratorium, and this state of affairs was reflected in a considerable increase in the number of recorded 'farm disputes'. Thus the agrarian situation, which was the gravest internal problem facing Japan, found no alleviation, and at the end of 1934 its solution was still being left in the main to the play of natural forces, from which little hope could be derived for any improvement in the years immediately ahead.

Economic depression in 1934 was not confined to the rural districts, but affected the professional and small trading classes in the towns and to a lesser extent the industrial workers, in spite of the continuance of the trade boom of the previous two years.[2] Foreign trade recovered almost to the point at which it had stood in 1928, the last pre-depression year, while industrial production was half as great again as in that year. An increase of 25 per cent. took place in the export of cotton piece-goods, and rayon exports expanded to an even greater extent, bringing Japan to the position of the World's greatest exporter of rayon goods. The increase in imports, however, which was due in no small part to purchases of material for munitions of war, exceeded the increase in exports; and the adverse balance of visible trade was greater than in the previous year. Manchuria, as an economic asset of immediate value, proved disappointing—a fact to be accounted for partly by natural misfortunes in the shape of an annual succession of unusually severe floods and partly also by the insistence of the military authorities upon a development policy directed towards strategic rather than purely economic advantages. The Manchurian industries in which the chief expansion occurred, including iron, coal and sulphate of ammonia, were to a great extent competitive from the home country's point of view, and the effects of their encouragement caused considerable perturbation which was given expression in debates in the Tokyo Diet.

[1] The lessening of the dependency of the Japanese peasantry on rice cultivation through state encouragement of wheat-growing progressed, however, in 1934, when the area under wheat showed an increase by nearly one-third over that in 1932—the year in which the Government had started their 'Five Year Wheat Plan'.

[2] This may be explained in part by the increased mechanization of Japanese industries, in part by the superabundance of labour available for industrial employment. Industrial depression in Japan did not show itself in the same automatic increase of urban unemployment as in the West, but rather in a contraction of the outlet for the overpopulated countryside and consequently in increased rural distress.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

In spite, however, of the adverse trend of Japan's foreign trade, the exchange value of the yen in terms of sterling, to which it was for practical purposes linked, remained steady throughout the year 1934. The budgetary position improved to the extent of showing a reduction of the deficit to be covered by domestic borrowings in the financial year 1934–5 by rather over 100,000,000 yen as compared with the figure for the preceding year, while there was no considerable increase in the note circulation or abnormal increase in prices. Military expenditure was, however, still on the up-grade, the Army and Navy budgets together having risen by 90,000,000 yen, so that the aggregate figure now exceeded 1,000,000,000 yen.[1] The situation as a whole thus continued to give ground for considerable uneasiness and elicited from the Minister of Finance the significant warning that only the curtailment of unproductive expenditure—he was referring specifically to military spending and long-term investment in Manchukuo—could save the country from eventual recourse to monetary inflation.[2]

The immediate situation appeared, however, to be no more critical than a year before, and the Government were reported to have no anxiety about making the necessary provision for their one imminent foreign liability of serious proportions (apart from the cash payment of 40,000,000 yen due from Manchukuo to Russia for the purchase of the Chinese Eastern Railway), namely the 4½ per cent. Sterling Loan of the South Manchuria Railway which was to mature on the 1st January, 1936.

The foreign debt as a whole was not a matter of major consideration in the financial outlook, since the annual service on the outstanding debt as it stood at the end of 1934 was no more than about £8,000,000 when allowance was made for the large proportion of 'repatriated' bonds, and this was little more than 6 per cent. of the current public revenue. On the other hand, the steady growth of the internal debt, which in the course of the fiscal year 1934–5 was augmented, by Government borrowings of $20,000,000 yen, to a total of over 8,600,000,000 yen, and would be increased by a further 750,000,000 yen if the accounts for 1935–6 produced the deficit anticipated in the budget, forced the Minister of Finance to turn to

[1] Figures as given in the *Japan-Manchoukuo Year Book* (Tokyo, 1935, Japan-Manchoukuo Year Book Company).

[2] On a subsequent occasion Mr. Takahashi informed the Diet that the Government would not resort to artificial procedures to control the rate of exchange of the yen. 'The value of the yen', he added, 'is linked with sterling, but in the event of necessity can be attached to another currency.' (Reuter telegram from Tokyo in *The Times* of the 23rd March, 1935.)

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

other sources of funds for the balancing of the budget and to depart from the Government policy of abstaining from hampering industrial development by any increase of taxation. He now imposed an excess profits tax which was expected to yield a sum of 40,000,000 yen per annum.

The financial liability imposed by Manchuria upon Japan's national exchequer fell from 185,000,000 yen in the financial year 1933–4 to 160,000,000 in 1934–5, while the estimate for 1935–6 was 171,000,000. It was reckoned that something over one-half of this disbursement flowed back to Japan through trade or private channels, but it is noteworthy, as was pointed out in the 1933–4 report on economic conditions by the British Commercial Counsellor in Tokyo,[1] that the net transfer of funds from Japan to Manchuria was apparently considered by the Government as a part of Japan's payments on foreign account. 'This may be interpreted', Sir George Sansom observed, 'as evidence that a Japan-Manchuria economic bloc has not yet been constituted.'

The industrialization of Japan is important to the student of foreign relations for its bearing on two questions: Japan's vital national problem of providing for her increase of population, and the competition in world markets to which this gave rise between Japan and the Western industrial nations.[2] The present survey of Japan's internal affairs may therefore appropriately close with a short record of her progress in industrial development in the year 1934.

In spite of measures to curtail unrestricted production in a number of leading industries, factory production as a whole increased this year by 32 per cent. Figures covering the first nine months of the year showed the following rises in the production index: textiles, 11 points; chemicals, 10; pig iron, 24; and steel products, 34. The large increase in iron and steel manufacture[3] was a symptom of the attention which was being paid to the war-munitions industries and to the home production of engineering products, especially railway material, which were required for the development of Manchuria. Apart from the artificially stimulated heavy industries, the cotton and rayon industries were those which expanded most, the export of cotton cloth amounting in 1934 to over 2,500,000,000 yards (an

[1] *Economic Conditions in Japan 1933–4* (Department of Overseas Trade, No. 604).

[2] See the *Survey for 1933*, Part I, Section (ii) (*h*); and G. E. Hubbard, *Eastern Industrialization and its Effects on the West* (London, 1935, Oxford University Press).

[3] The Japanese steel output, which had doubled in quantity since 1926, was estimated in 1934 to have reached about 90 per cent. of domestic requirements.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

increase of 25 per cent. over the figure for 1933) and that of rayon textiles to 350,000,000 yards (an increase of 33 per cent.). The resulting growth of Japanese competition and the restrictive measures to which this led in British colonial markets are dealt with in another section of this chapter.[1]

(iv) Relations between Japan, the Western Powers and China

On the occasion of Japan's notice of intention to withdraw from the League of Nations in March 1933, the Rescript issued by the Emperor, after setting forth the reasons, went on to declare that

> For these reasons and because of the profound differences of opinion existing between Japan and the majority of the League in their interpretation of the Covenant and of other treaties, the Japanese Government have been led to realize the existence of an irreconcilable divergence of views dividing Japan and the League on policies of peace and especially as regards the fundamental principles to be followed in the establishment of a durable peace in the Far East.

Already, before this, the Japanese representative at Geneva, in the course of the proceedings dealing with the Manchurian question, had more than once adverted pointedly to this conflict of views between Japan and the other states members concerning the manner of achieving peace in Eastern Asia, and to the 'exasperating' lack of understanding of the Japanese view which was being shown in the European countries; and at the same time he had propounded the nature of this view, which was that Japan herself, acting on her own initiative as she had acted in Manchuria, was the only effective guarantor of peace. Such pronouncements as these wore, at the time, the appearance of being mainly an excuse for actions which had incurred general reprobation, and they therefore attracted no special attention —with the consequence that, although the portrayal of Japan as a nation endowed with a special pacificatory mission in Far Eastern affairs was a constant feature of Japanese public speeches and writings during the following months, the outside world gave little sign of being aware that Japan was setting herself in earnest to establish her new thesis. To overcome this lack of attention, the message would have to be repeated in louder and more arresting tones; and this became apparent to the Japanese authorities, who adopted the manner of Humpty Dumpty towards the inattentive fish.

> I said to him, I said it plain,
> Then you must wake him up again.
> I said it very loud and clear:
> I went and shouted in his ear.[2]

[1] See section (iv) below. [2] Lewis Carroll: *Alice Through the Looking Glass.*

In the spring of 1934 the Japanese successfully aroused the World by proclaiming their 'Monroe Doctrine for East Asia'[1] in a series of official speeches and semi-official *communiqués* and press interviews.

Already, in the first month of the year, the Foreign Minister, in his annual review of Japan's foreign relations delivered in the Diet on the 22nd January, had made Japan's responsibility for the maintenance of peace in East Asia the key-note of his speech. After alluding to the situation in China, he expressed the hope that she would unite with Japan in their 'obvious mission' to contribute to the peaceful development of their part of the World, while adding that the actual position might offer little encouragement for this hope, since there was no concrete evidence that the Chinese Government had realized the mistake of adopting an anti-Japanese attitude. Mr. Hirota concluded his speech by saying: 'We should not for a moment forget that Japan, serving as the only corner-stone for the edifice of the peace of Eastern Asia, bears the entire burden of responsibility'; and he expressed his conviction that 'eventually this position . . . will be rightly understood by the other Powers'.

The moderate and friendly tone in which Mr. Hirota referred to Japan's relations with the principal Western Powers served to divert attention abroad from this claim for Japan of a right to independent action in the affairs of China. The claim passed almost without comment, and it was not till three months later that the World was aroused to acute interest and concern by a statement to the press on Japanese policy which was delivered by the Foreign Office 'spokesman' on the 17th April. Notwithstanding subsequent attempts to explain away, or gloss over, the statement made on that occasion, it was never officially repudiated or retracted; and, subject to later additions and assurances given in the name of the Japanese Government, it still remained at the time of writing in 1935 the authorized exposition of Japanese policy in regard to the foreign relations of China.

Before dealing with the substance of the statement of the 17th April it will be well to review the Western activities in China which were the ostensible cause of its utterance. These activities consisted of proposals for loans to China, the sale of aeronautical equipment, the engagement of military experts and advisers, and the technical assistance supplied by the League of Nations experts who were attached to the Nanking Government.

[1] The phrase 'East Asia' adopted by Japanese official speakers in place of the more familiar 'Far East' was used, as reference to the context will show, to denote Japan, Manchukuo and China, which, in the Japanese view, formed—potentially at least—a single political entity.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

As regards financial operations, newspaper reports had appeared a short time before concerning a scheme of Sino-foreign co-operation, through the medium of a financing corporation, for helping economic developments. The scheme had been elaborated by the Chinese Government with the help of Monsieur Jean Monnet, a French citizen who had been Deputy Secretary-General of the League of Nations in the early days of its existence, and who in his capacity as a private individual was invited by the Chinese Government to make a study of certain questions relating to the financial institutions in China concerned with the raising and lending of capital and as to the conditions for the future entry of foreign capital into China. A message from Shanghai to *The New York Times* had represented this Corporation as 'deliberately designed to counteract the growing Japanese dominance in the fields of commerce and investment' and as a device to circumvent the international banking Consortium Agreement[1] which assured to Japan the option of participating in loans granted to China. Simultaneously a report emanating from Moscow had announced that a loan from an international banking group was actually impending. When an official announcement came to be made regarding the China Development Finance Corporation,[2] it was shown that the group, which was entirely Chinese, had been formed 'to assist and collaborate in enterprises, private and public, for the development of commerce and industry for which long term credits are required'. The suggestion that the new Corporation had been created with the intention of excluding Japanese capital was, it became clear, entirely baseless; 'it is hoped', said the statement, 'that . . . the Corporation shall work as a business concern, non-political and non-discriminatory, at home and abroad'. The rumour of the forthcoming international loan was apparently equally baseless.

The American Wheat Loan of the previous year[3] was another financial arrangement which was to be cited later on as being objectionable to Japan—the ground of objection being that funds derived from the sale of the wheat had been used by the Chinese Government to purchase armaments. The charge, when repeated in the course of the American Senate inquiry into the arms traffic, was categorically

[1] See the *Survey for 1920–3*, Part VI, section (iii).

[2] Inaugurated in July 1934 with an initial capital of $10,000,000 (Chinese) subscribed mainly by the leading Chinese banks. Later in the year a railway loan contract for $16,000,000 was concluded between the Chinese Ministry of Railways on the one side and the new Corporation in partnership with the British and Chinese Corporation (a British Company) on the other. The China Development Finance Corporation aimed primarily at raising capital in China itself with the possible participation of foreign investment in particular enterprises.

[3] See the *Survey for 1933*, p. 469.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

denied by the Chinese Minister for Foreign Affairs, and it was also controverted by the correspondent of *The Times* in China.[1]

Military assistance to China furnished a more substantial ground for subsequent Japanese protests. The Nanking Government, in their efforts to create an air force—an essential instrument, as they afterwards pointed out, for policing a country so large and so deficient in means of military transport—had not only entered into large purchases of aeronautical equipment, but had also engaged the services of a considerable number of foreign experts and instructors. Part of the funds accruing from the remission of the Italian share of the Boxer Indemnity were applied to maintaining an Italian Air Mission at the head-quarters of General Chiang Kai-shek, as well as to meeting the expense of an aviation centre which had been established at Nanchang. The United States had provided China with aircraft, including as many as seventy fighting planes as well as other machines for observation, bombing and training. The Curtis-Wright Company had, earlier in the year, contracted to erect an aeroplane factory to be operated with the help of American engineers. Furthermore, it was with American assistance that a large aviation base had been set up at Hangchow with a school for military pilots attached—a retired colonel of the United States Air Corps acting as superintendent. On the side of civil aviation, the principal long-distance air routes of China were operated by two Sino-foreign corporations,[2] each with a 45 per cent. share of foreign capital and with foreign operating pilots. In the one case the foreign interest was American, in the other German.

Germany had also provided China, for several years past, with military advisers, including not a few eminent senior officers of the old Imperial Army;[3] and in April 1934 a former head of the Reichswehr, General von Seeckt, succeeded to the appointment of chief military adviser to the Government at Nanking. Minor advisory and technical posts, under both the Central Government and the Government at Canton, were occupied by officers of other nationalities, including two naval instructors lent by the British Government.

Meanwhile, the work of the League of Nations' technical co-

[1] See *The Times* of the 3rd September, 1934. The Wheat Loan was stated in the biennial financial statement issued in May 1935 by the Chinese Minister of Finance to have yielded $38,000,000 (Chinese) net, of which $15,000,000 was allocated to currency reform and $12,000,000 was entrusted to the National Economic Council. The Council, on the 27th March, 1934, decided to spend $6,000,000 of this on aviation.

[2] The China National Aviation Corporation and the Eurasia Aviation Company. [3] See the *Survey for 1928*, p. 397; the *Survey for 1929*, p. 300.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

operation with China, of which the development has been traced in an earlier volume of the *Survey*,[1] reached an important stage in the month of April 1934, when Dr. Rajchman, the Technical Agent of the League Council, completed his report on his mission to China recommending lines for future assistance, and delivered a copy of the document to the Nanking Government before starting on his return to Geneva. In view of the definite objection raised by Japan to the League's technical assistance to China, it may be noted, firstly, that a major part of the experts' work had been devoted to the development of communications in China—a matter which might be assumed to possess a particular interest in Japanese eyes owing to its military significance—and secondly, that Dr. Rajchman had acquired in Japan a reputation of being antagonistic to that country and of having engaged in political activities in China in a manner detrimental to Japanese interests.[2]

Such were some at least of the 'foreign activities' in China which provided the occasion of the Japanese pronouncements of policy in the month of April 1934. What other considerations determined the issue of these pronouncements at this particular date must remain a matter of conjecture, but it is perhaps a significant fact that they synchronized with the holding of a conference at Nanchang at which the Chinese political leaders were understood to be engaged in discussing the orientation of Chinese policy towards Japan on the one hand and towards the League of Nations on the other.[3] With the decision between alternative lines of Chinese policy thus hanging in the balance, the choice of this moment for the issue of a Japanese *caveat* against foreign assistance to China finds a credible explanation.

If, in making their declaration at this moment, the Japanese were acting with a view to its effect upon China, its effect upon other Powers was clearly a matter in which they felt the need of showing caution. The method of procedure was, in fact, a singularly perfect example of the diplomatic device of sending up *ballons d'essai* to test the strength of outside opinion. The first of these was released in

[1] See the *Survey for 1933*, pp. 469–70, 516–17.

[2] It was perhaps not surprising that the Japanese dislike of all activities of the League in China should have centred upon the person of the League's Technical Agent. Dr. Rajchman's report referred in general terms to the benefits to be hoped for from co-operative action and recommended certain forms of League association with China, including experimental researches into Chinese problems by foreign specialists and the extension of advice and assistance to the National Economic Council in China in the development of technical services. The Committee of the League on co-operation with China adopted the report and referred the suggestions to the League's Technical Organizations.

[3] See *The Times* of the 11th April, 1934.

the shape of a statement to the press on the 10th April by Mr. Amau, the Chief of the Intelligence Department of the Japanese Foreign Office, who was commonly referred to as the 'Foreign Office Spokesman'. Mr. Amau told his listeners that his Department desired that foreigners should know that Japan was absolutely opposed to foreign interference in China in any form whatever and would oppose any new plans of international co-operation with China. Schemes of technical assistance were apt, Mr. Amau said, to lead on to intervention in China's affairs and so to prolong the state of confusion prevailing in that country.

This *démarche* having attracted little notice abroad, it was followed a week later, on the 17th April, by a further statement by Mr. Amau to the vernacular newspapers. Reproducing the phrases in Mr. Hirota's speech affirming Japan's special responsibility and 'mission' for the preservation of peace in Eastern Asia, this second statement repeated the declaration, made earlier in the month, that Japan was opposed in principle to foreign joint undertakings in China, even if undertaken in the name of technical or financial assistance. Harmless negotiations on matters of trade or finance by individual countries were exempted from the scope of the statement, but Japan was definitely stated to object to the supply of aeroplanes, the construction of aerodromes, the lending of military experts and the granting of loans for political purposes. The declaration appeared from its phraseology to be addressed both to China, as recipient, and to other Powers, as actual or potential providers, of these forms of assistance.

An authentic translation of the statement was at first lacking but was later supplied by the Japanese Foreign Office for the use of the British Government, and this was communicated to the House of Commons by Sir John Simon on the 23rd April. The document proved to run as follows:

> Owing to the special position of Japan in her relations with China her views and attitude respecting matters that concern China may not agree in every point with those of foreign nations; but it must be realized that Japan is called upon to exert the utmost effort in carrying out her mission and in fulfilling her special responsibilities in East Asia. Japan has been compelled to withdraw from the League of Nations because of their failure to agree in their opinions on fundamental principles of preserving peace in East Asia. Although Japan's attitude towards China may at times differ from that of foreign countries, such difference cannot be evaded owing to Japan's position and mission.
>
> It goes without saying that Japan at all times is endeavouring to maintain and promote her friendly relations with foreign nations, but at the same time we consider it only natural that to keep peace and order in East Asia we must even act alone on our own responsibility, and it

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

is our duty to perform it. At the same time there is no country but China which is in a position to share with Japan the responsibility for maintenance of peace in East Asia.

Accordingly, unification of China, preservation of her territorial integrity, as well as restoration of order in that country, are most ardently desired by Japan. History shows [that] these can be attained through no other means than awakening and voluntary efforts of China herself.

We oppose, therefore, any attempt on the part of China to avail herself of the influence of any other country in order to resist Japan; we also oppose any action taken by China calculated to play [off] one Power against another. Any joint operations undertaken by foreign Powers even in the name of technical or financial assistance at this particular moment after Manchurian and Shanghai incidents are bound to acquire political significance. Undertakings of such nature, if carried through to the end, must give rise to complications that might eventually necessitate discussion of problems like division of China which would be the greatest possible misfortune for China and at the same time would have most serious repercussions upon Japan and East Asia.

Japan therefore must object to such undertakings as a matter of principle, although she will not find it necessary to interfere with any foreign country negotiating individually with China on questions of finance or trade as long as such negotiations benefit China, and are not detrimental to peace in East Asia.

However, supplying China with war aeroplanes, building aerodromes in China, and detailing military instructors or military advisers to China or contracting a loan to provide funds for political uses would obviously tend to alienate friendly relations between Japan, China and other countries and to disturb peace and order in Eastern Asia. Japan will oppose such projects.

The foregoing attitude of Japan should be clear from the policies she has pursued in the past, but on account of the fact that positive movements for joint action in China by foreign Powers under one pretext or another are reported to be on foot, it was deemed not inappropriate to reiterate her policy at this time.

In amplification of this statement of the 17th April, Mr. Amau on the following day informed foreign journalists that it rested with Japan to determine whether foreign aid to China was, or was not, of a nature to imperil peace and order. 'We must be the judges', he said. He denied that in taking this attitude the Japanese Government were acting in conflict with treaties, but added that treaties are susceptible of varying interpretations.[1] He affirmed at the same time that Japan did not seek to close the Open Door or to disregard the Nine-Power Treaty.

[1] An insistence that treaty provisions must be applied with regard to the state of affairs prevailing at any given moment, and must be modified accordingly, was a prominent feature of the Japanese case concerning the Manchurian question during the discussions at Geneva in 1932 and 1933 (see p. 658, below).

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

The next few days saw a spate of statements, *communiqués* and interviews on the part of Japanese diplomatists, accompanied by copious comment in the Japanese and foreign press. While the Foreign Office at Tokyo asserted that the Amau Statement was no more than an amplification of the Foreign Minister's remarks in his Diet speech, the *Asahi* newspaper frankly described it as an 'epoch-making departure whereby Japan abandons her former policy of co-operation with the West in China', and as 'inaugurating a policy based on the principle that Eastern Asian affairs should be settled by Japan and China alone'. On the 22nd April the Japanese Ambassador in Washington, Mr. Saito, was reported in *The Washington Star* as having stated that Japan, while contemplating no interference with legitimate foreign business, did wish to be consulted before any new transactions were concluded, and that a disregard of this desire would be considered an unfriendly act. The new aerodromes and aeroplanes, Mr. Saito was quoted as saying, were undoubtedly intended for eventual use against Japan. 'Other nations do not understand China; consequently Japan must act and decide alone.'

The application of the phrase 'unfriendly act' was later rectified by Mr. Saito, who explained that he had said no more than that Japan desired to be consulted, and that it would constitute an unfriendly act if any Power intentionally took action which might have the effect of increasing the unrest in China or of inciting China to defy Japan's peace-safeguarding policy.

After a Cabinet meeting at Tokyo on the following day, the Rengo Agency, which was usually regarded as the Japanese Government's mouthpiece, declared that the Japanese Government did not depart from the policy expressed in the 'Amau Statement'—which, it repeated, merely amplified Mr. Hirota's earlier speech. The Rengo statement (which was later described as 'unauthorized') added that Japan would not object to assistance to China of a cultural or non-political character financed by remitted Boxer Indemnity funds, or to other economic arrangements which might be free from political import.

A similar tendency to tone down the acerbity of the statement made by Mr. Amau on the 17th April and to modify some of its claims appeared in a press interview which was given on the 21st April by the Japanese delegate to the Disarmament Conference at Geneva. He assured his hearers that Japan did not mean to tamper with the principle of the Open Door in China, though she wanted the Powers 'to admit that Japan has a peculiar competence in Chinese affairs'. On the 23rd Mr. Yokoyama supplemented this with a

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

second statement to the press in which, while disclaiming any intention on Japan's part to establish a tutelage over China, he said that she claimed the right to oppose any foreign loan to China, or foreign help to China of any kind, which might, in Japan's opinion, disturb the maintenance of peace and order. Japan would, however, acquiesce in League aid to China if this were 'well used'.

Again, on the 20th April the Japanese Ambassador in Berlin gave a statement to a German newspaper on Japanese world policy in which he complained that the League ignored the conditions existing in the Far East and Japan's special position in relation to these conditions.

Ten days later again, on the 4th May, the Japanese Foreign Minister delivered a speech, which was fully reported in the press, to a conference of Prefectural Governors in Tokyo. On this occasion Mr. Hirota, after laying stress once more upon his country's mission to preserve peace and order, went on to say that Japan desired China's integrity, unification, prosperity and progress, but that these ideals must be attained by China's own efforts, not by gratuitous outside help, and that Japan could not be indifferent to any third-party action complicating Sino-Japanese relations. He intimated that China was showing signs of a better appreciation of Japanese motives, and that an understanding was nearer. Existing treaties would be respected, and the Japanese Government were willing, if necessary, to exchange views concerning treaty rights and interests with individual Powers; but they considered it unwise to recreate the situation which had been encountered at Geneva when the Powers in Council and Assembly had rejected Japan's views on the question of Eastern Asia.

Japan's 'mission' was referred to once again in the inaugural speech of Admiral Okada, the newly appointed Prime Minister, on the 20th July, when he declared that Japan would leave nothing undone for its fulfilment.

Disentangled from the network of statements, 'amplifications' and corrections that were emitted by Japan's official and semi-official spokesmen between the delivery of Mr. Hirota's speech on the 22nd January and the last week of April, the position taken by Japan, as expounded to the World, appeared to be substantially as follows. On the score of being 'the stabilizing force in East Asia', Japan claimed to possess and exercise, in partnership with China, a trusteeship for the maintenance of peace and order in that area, and for this purpose she regarded herself as possessing peculiar responsibilities and rights. On the ground that peace and order were liable to be endangered by

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

foreign assistance to China, she opposed in principle the granting of such assistance in the form of 'joint' or collective action—e.g. by the League of Nations—notably in the matter of loans. Other forms of assistance to which specific objection was taken were the supply of material for aeronautical development and the engagement by China of foreign military experts. Japan was to be the arbiter as to whether a threat to peace and order was involved in particular cases, and the World was warned to expect positive action—presumably in the form of Japanese pressure on China—for putting a stop to any Sino-Western transactions which might fall under the Japanese ban. Furthermore, Japan demanded to be consulted before any new transactions between China and any third party were entered into.

It has already been shown that this insistence upon Japan's 'special mission' for the preservation of regional peace, and the implication of a diversity of view between herself and other nations as to the conditions on which peace depended, were not, in themselves, new departures. The new element in the statements made in 1934 was the indication to the World of the particular developments in China which constituted a threat to this peace in the Japanese view. The military strengthening of China was included in this category, on the ground that China's military strength was intended to be directed eventually against Japan. Loans were a threat to stability because in present conditions they served to increase the financial disorder of the Chinese Government.[1] Other foreign activities, even of a purely non-political nature, were designated as threats, on the ground that they were apt to culminate in foreign intervention in China's affairs and so to create a danger to peace.

The nature of this danger to peace as conceived by Japan was not clearly revealed, but the statements on the subject indicated that she feared developments in two contrary directions: a constructive development tending to create a militarily strong China who would be capable of opposing Japan by force of arms; and an anarchic development in the shape of a further disintegration of Chinese politics and finance. To exorcize these fears, the Japanese Government proclaimed what amounted to a right of veto over China's foreign relations.

Her 'mission', which Japan invoked as a warrant for taking matters into her own hands, was derived, in the minds of her spokesmen, from the 'territorial propinquity' and 'special interests in East

[1] The Japanese press invoked as a further objection the existence of the unrepaid Nishihara loans.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

Asia' on which Japan had in the past rested many of her claims and which had received passing recognition in the Lansing-Ishii Agreement of the 2nd November, 1917. As a means of justifying imperialistic action it bore a resemblance, which could hardly fail to escape the notice of the neutral observer, to the British habit, in the 'Kipling' period at the turn of the last century, of emphasizing the moral aspects of empire-building; and echoes of 'the white man's burden' doctrine were audible in the Japanese assertions that Japan was the natural dispenser of peace and order to a distracted China. This claim, and the assumption that international attempts to assist China were useless, if not mischievous, and that Chinese reconstruction depended upon Japanese collaboration alone, would have had a better chance of being—to use Mr. Hirota's phrase—'rightly understood by the other Powers' if, in embarking on her 'mission', Japan had chosen other instruments of pacification than the bombing aeroplanes which had obliterated the Chapei district of Shanghai two years earlier.

Japan's action in Manchuria in 1931 had constituted a challenge to two classes of international agreements: first those, represented by the League Covenant and the Kellogg-Briand Pact, which restricted the right of the signatories to have recourse to force for the settlement of disputes; and secondly that, represented by the Washington Nine-Power Treaty, which bound the signatories to observe China's integrity and, as among themselves, to respect the principle of the Open Door and of 'equal opportunity', to refrain from monopolistic action and to act in consultation in emergencies. This second class of international agreements was challenged anew in words, though not in action, by Japan's declaration of policy in 1934. The challenge could not be ignored by the Powers who had acted both individually and in concert three years before.

The Chinese Government, who were the most closely concerned of all, confined themselves to issuing an informal statement, denying the right of any state to claim exclusive responsibility for the maintenance of peace,[1] and a subsequent declaration[2] reaffirming China's adhesion to the League Covenant and the Washington Treaties and refusing to admit interference or control from any quarter in the matter of China's foreign relations. A much stronger tone was allowed to appear, however, in press interviews given by China's diplomatic representatives abroad. The Minister in Geneva, for instance, was reported to have interpreted the situation as implying

[1] See *The Manchester Guardian* of the 20th April, 1934.
[2] This declaration was issued on the 26th April, 1934.

a Japanese claim to the right to supervise China and to exercise a veto over the whole of her national life.

Apart from China, the responsibility for taking the initiative in clearing up the situation evidently lay with Great Britain and the United States. In 1932 it was the latter Power that had taken the first step in the despatch of the Stimson Note of the 7th January, championing the sanctity of treaties and refusing recognition of any arrangements impairing treaty provisions, including the provisions guaranteeing China's integrity.[1] On that occasion the British Government, acting under influences which were examined in some detail in the *Survey for 1932*, failed to respond to Washington's lead and were content to reserve their position in respect to the Open Door and 'equal opportunity'. The British Foreign Secretary accepted, at the time, the Japanese declaration of support for these principles as applied to Manchuria and the assurances given by the Japanese Ambassador in London of Japan's intention to respect these principles and those of the Nine-Power Treaty. On this second occasion the American State Department showed less readiness than before to take the initiative. In the words of one of the leading American publicists of the day,[2] 'We used our moral influence in 1931, but the plain truth is that there was little support from Great Britain or France or Russia.' Thus in 1934 it fell to the British Foreign Office to make the first move in Tokyo; and on the 25th April the British Ambassador there addressed a 'friendly inquiry' to the Japanese Government regarding the meaning to be given to the Foreign Office statements. This inquiry was accompanied by a reminder that under the Nine-Power Treaty Japan could not possess special rights except such as were recognized by other Powers, and that, in particular, the British Government could not recognize Japan's right to decide alone whether any action in the nature of the provision of technical or financial assistance was a danger to the peace and integrity of China. His Majesty's Government must, it was stated, continue to enjoy all rights common to the signatories of the treaties 'or otherwise proper'; and, since it was the aim of British policy to avoid dangers to the peace and to the integrity of China, the anxieties expressed by Japan could not apply to the United Kingdom. Finally, Japan was already provided with safeguards in her right to consult other Powers in emergencies as stipulated in the Nine-Power Treaty.

The text of the reply to the representations made by Sir Francis Lindley was withheld from the public. The substance was given,

[1] See the *Survey for 1932*, p. 540.

[2] Mr. Walter Lippman as reported in *The Observer* of the 29th April, 1934.

PERPUSTAKAAN NASIONAL

however, to the House of Commons at Westminster by Sir John Simon on the 30th April. It was to the effect that the British Government were correct in assuming that the Japanese statement of policy was not intended in any way to trespass upon the common rights of other Powers or to override Japan's own treaty obligations. There was a promise that Japan would observe the provisions of the Nine-Power Treaty, and the somewhat enigmatic statement was made that 'the policy of the two Governments in regard to the treaties coincided'. Further, Japan was represented as continuing to attach the greatest importance to the Open Door in China, and the acceptance of that policy was reaffirmed. On this reply the British Secretary of State remarked that it seemed 'reasonably clear'; and he announced that the Government of the United Kingdom were prepared to leave the question where it stood.

Special note was taken, in a Japanese Foreign Office *communiqué* issued two days later, of the assurance given by the British Ambassador of Great Britain's avoidance of activities likely to disturb peace. To borrow the words of the correspondent of *The Times* in Tokyo, 'the incident thus ends with Japan politely but immovably asserting her primacy of interest in developments in China and indicating certain specific foreign activities to which she objects'.

The American Ambassador at Tokyo presented a note to the Japanese Government four days after his British colleague's *démarche*. By this note the American Government reaffirmed their position regarding treaty rights and interests and reminded the Japanese Government that foreign relations with China were governed by international law and treaties, and that the latter could only be modified by mutual arrangement. 'In the opinion of the American people', the note continued, 'no nation can without the consent of the other nations concerned rightly endeavour to make conclusive its will in a situation where there are involved the rights, obligations and legitimate interests of other sovereign states.'

The American communication elicited no reply, and the Japanese Foreign Office allowed it to be known that in their opinion the question could be considered as closed. This view was apparently concurred in by the other Governments concerned, though both France and Italy addressed communications to the Japanese Government and received answers substantially similar to those which had been vouchsafed to London. It remained only for certain members of the House of Commons at Westminster, in the course of a debate which took place on the 18th May, to register their doubts as to the position in which matters had been left. Speaking for the Labour Opposition,

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

Sir Stafford Cripps complained that His Majesty's Government were allowing Japan to persist in the breach of her obligations under both the League Covenant and the Nine-Power Treaty. To this the Foreign Minister replied that he had obtained Japan's solemn assurances of her respect for these treaties and could do no more, short of declaring 'we don't believe you'. He added that Great Britain was, in any case, under no obligation to apply sanctions nor pledged to use her forces in order to preserve the integrity and political independence of China.

We have followed chronologically the steps taken by Japan in order to stake out a claim to Japanese primacy in East Asiatic affairs. If the record is somewhat detailed, the reason lies in the fact that the claim implied a radical change in the regional *status quo* from an international standpoint. Since the conclusion of the Washington Treaties, the agreed basis of international relations as touching affairs in China had been strict equality and the renunciation of all claims to monopoly or special rights.[1] The paramount position now claimed by Japan meant a complete reversal of established principles. It could, it is true, be held that the change was implicit in the growth of Japan's strength in relation to that of other Powers—an alteration of ratio which was due not only to Japan's economic and military development but equally to the preoccupations at home which tied the hands of other Powers with interests in the Pacific. Japanese apologists might maintain that, in enunciating the doctrine of special responsibilities and rights, Japan was doing no more than inviting tacit acceptance of a *de facto* situation, which the World could not reasonably deny so long as, in international affairs, the possession of power was a recognized factor for determining the influence to be exercised by an individual country. Such a line of reasoning was in keeping with the repeated assertions by Japanese spokesmen that international agreements respecting China must be interpreted in accordance with the existing state of facts.[2] The Japanese Government's assurances to the British and to other Governments that their statement of policy in April was consistent with their respect for the Nine-Power Treaty could hardly bear any logical meaning unless taken in conjunction with reservations of this kind in regard to the interpretation of treaties. No method of interpretation could, how-

[1] It is pertinent to note, however, that Japan consistently complained of being denied equality in other fields: e.g. naval limitation ratios and immigration laws.

[2] See the Japanese reply to the Stimson Note and the statement of the Japanese notice of intention to withdraw from the League of Nations (the *Survey for 1932*, p. 545, and the *Survey for 1933*, p. 515).

PERPUSTAKAAN NASIONAL

ever, have reconciled the clauses of the Nine-Power Treaty for the preservation of China's integrity with the action which Japan had already taken towards that country in 1931–3; and it is the further development of the relations between these two countries in the year under review that must next occupy our attention.

Japanese military action in the North had come to an end, as previously recorded,[1] with the signature in May 1933 of the Tangku Armistice Agreement establishing a neutral demilitarized zone along the Great Wall. Although in 1934 there was no serious fighting, it was the military situation on the Manchurian border which dominated Sino-Japanese relations in North China, where the conduct of these relations remained primarily in the hands of the respective military authorities. The neutral zone itself provided a fruitful source of disputes. There were frequent complaints from the Japanese side that the Chinese authorities were failing to restrain the activities of irresponsible armed bands acting inside the zone, and there were counter-complaints of Japanese military encroachments. In January Japanese troops occupied Lungmensu, one of the western passes through the Great Wall; but these troops withdrew again soon afterwards. In the following month a Japanese force was reported to be massing on the Jehol–Chahar frontier and to have expelled Chinese troops from a district outside the Great Wall which the Japanese military authorities claimed as part of Jehol. The Japanese were stated also to have constructed an aerodrome between Dolonor and Kalgan and to be building military roads inside the Chahar[2] border.

At the same time, however, progress was being made towards a return to stabilized conditions by the rendition to China, on the 10th February and the 4th March respectively, of the frontier towns of Shanhaikwan and Koupeikou, by the resumption of through-traffic on the Peking–Mukden Railway on the 6th June,[3] by the completion towards the end of the year of postal arrangements between China and Manchukuo, which became operative after the end of the year, and by the opening in August and September of customs stations at some of the Great Wall passes. These last three developments were of the nature of concessions to Japan; and the decisions in respect of them were taken after, and doubtless as a result of, the

[1] The *Survey for 1933*, p. 481.

[2] In view of Japan's dependence on China as a source of iron-ore (she was taking about half the ore produced in the country and virtually the whole of the exports), it is not without interest to note that Chahar contained iron-ore reserves estimated at 40 per cent. of the total reserves in China. Mines at Lungyen were being worked for some years after 1923 by a Chinese semi-governmental corporation.

[3] See the *Survey for 1933*, p. 482, note.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

Nanchang Conference, referred to above,[1] at which the question of the national policy towards Japan was debated by China's political leaders. It was, however, only a partial surrender, for care was taken that the arrangements for resumption of traffic should be without prejudice to the major issue of the recognition by China of the state of Manchukuo.[2] Upon this question the Chinese remained firm, resisting the inducement offered by the prospect of being released from the onerous conditions of the Tangku Armistice Agreement, which the Japanese military authorities were—so it was said—determined to prolong as a lever for obtaining recognition.

Throughout the rest of China few developments of note took place, outwardly at least, in Sino-Japanese relations. The mysterious disappearance in June of the Japanese Vice-Consul at Nanking under suspicions of foul play caused a moment of serious tension which was fortunately removed by the discovery at the end of a week that the officer had hidden himself in a cave near Sun Yat-sen's tomb in a fit of mental aberration. Anti-Japanese activities were the subject of numerous complaints by the Japanese authorities and of demands upon the Chinese Government to take suppressive measures. Possibly as the result of such measures, an improvement took place which was subsequently acknowledged by the Foreign Minister in Tokyo in his annual speech on foreign affairs in the Diet. The boycott of Japanese goods was reported to have almost died out, in North China at least,[3] and Japanese ships on the Yangtse were able in the summer of 1934 to resume their services to ports on the upper river, which had been suspended since 1931. A move was also made towards clearing up one of Japan's long-standing grievances, namely the disregard of loan obligations by the Chinese Ministry of Finance, with reference especially to the series of semi-political loans made to the Government at Peking during the Great War and known collectively as the Nishihara loans.[4] In the case of two, the Paot'ou Extension Loan and the Telegraph Loan, the conclusion of funding arrangements was reported in the course of the year.

It was in such comparatively minor matters that there was to be found the only public manifestation of attempts by Japan to impose her will on China or to exercise those rights of supervision and veto

[1] On p. 649.

[2] E.g. the Chinese agreed to the postal exchange only on condition that neither letters nor stamps should bear the inscription 'Manchukuo'. Special stamps were consequently issued.

[3] In 1934, although Japanese exports to China diminished slightly in value, Japan's share in the total of imports into China increased from 9·7 per cent. in 1933 to 12·2 per cent.

[4] See the *Survey for 1925*, vol. ii, p. 374.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

which, according to the view of some of China's representatives,[1] were implied in the statements of policy promulgated in the spring of 1934. Circumstantial evidence of Japanese assertiveness was, however, discernible in more directions than one; and it would not be unreasonable to suggest that the general warnings contained in the Japanese statements emitted in April against the supplying of technical aid to China (which were subsequently reinforced by representations made at Geneva concerning the risks of misuse of the assistance proposed in the Rajchman report) were at least a contributory cause of the non-appointment of a successor to Dr. Rajchman as the League's Technical Agent in China.[2] To what extent covert pressure in Chinese internal affairs may have been exerted on the Central or regional Governments could only be a matter of conjecture, and observers were left free to speculate on the underlying causes of the significant change of tone which began towards the end of the year to become observable in Chinese public utterances dealing with relations with Japan. For the most striking example of this change it is necessary slightly to overstep the limits of the period under review and to refer to an address which Mr. Wang Ching-wei, the Chairman of the Executive Yuan, delivered in February 1935 to the Chinese Central Political Council. Mr. Wang is reported to have said that China was willing 'to maintain and promote friendly and peaceable relations with any country, not to mention a neighbour like Japan, whose geographical, cultural and racial relationship with this country is so close'; to have gone on to refer to certain words of the late Dr. Sun Yat-sen in which he had urged the peoples of China and Japan 'to work hand in hand and co-operate for the welfare of both countries'; and to have concluded with the expression of the hope 'that the close friendship between the two countries entertained by our late Party Leader may be realized'. Simultaneously Dr. Wang Chung-hui, the eminent Chinese jurist and member of the Permanent Court of International Justice at the Hague, who was visiting Tokyo as an unofficial ambassador and had had discussions with the Prime Minister, with Mr. Hirota and with the Minister of War, was giving voice openly to the Chinese wish for a Sino-Japanese *entente*. 'We desire', he told the representatives of the press, 'co-operation in every field, economic and political. The friendly help of the Japanese people is earnestly requested. We want to study the concrete measures with Japan.'

[1] See pp. 655-6, above.

[2] Although the post was not filled, Dr. Haas, Chief of the Communications and Transit Section of the League, was later despatched to China to advise in these departments of public work.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

Finally, General Chiang Kai-shek, who in January 1935, for the first time since 1931, had had personal interviews with Japanese diplomatic and military officials, was likewise said to have told the Japanese Minister that, as an adherent to the principles of Dr. Sun Yat-sen, he was never willingly anti-Japanese, though remarking that 'unhappy events' had of late defeated efforts at co-operation. The Japanophile policy of Dr. Sun Yat-sen and his vision of a Greater Asia had, it is pertinent to add, figured prominently in recent Japanese pronouncements on Sino-Japanese relations, and it was clear that those Japanese who aimed at the attainment of their national aims by conciliatory rather than coercive methods were counting upon an appeal to pan-Asianism and to Chinese veneration for the 'Father of the Republic'.

In Japanese-American relations the feature which engaged particular attention in the *Survey for 1933* was the intensification, through naval rivalry, of the state of tension between the two countries which Japan's action in Manchuria had created. The withdrawal of the American fleet from the Pacific to the Atlantic early in 1934 had somewhat ameliorated the position; and advantage was taken of the opportunity afforded by the arrival of a new Japanese Ambassador to the United States to mark the improvement by an exchange of special messages of amity between the Ministers responsible for the conduct of foreign affairs in Tokyo and in Washington respectively. Mr. Hirota, in a communication dated the 21st February, laid stress on the commercial interdependence of the United States and Japan arising from the complementary nature of their trade,[1] and went on to state his conviction that 'there was no question between the two countries fundamentally incapable of amicable solution' and that a satisfactory settlement could be found of all pending issues. To this Mr. Hull replied on the 3rd March by concurring with the sentiments expressed by his Japanese colleague and adding that, if unhappily any controversy should arise, the United States Government would be ready to examine the position of Japan in a spirit of amity, trusting that the Japanese Government would act likewise.

In spite, however, of this display of friendly sentiments, there were few signs of any modification of the essential factors which exacerbated the relations between the countries. The American attitude towards Japanese political expansion in Eastern Asia had been clearly defined in Mr. Stimson's speech to the Union League Club in October

[1] The United States was Japan's best customer for her staple export of silk; Japan was the greatest purchaser of American raw cotton, of which she bought more than Great Britain, France and Germany combined.

PERPUSTAKAAN NASIONAL

1932;[1] and American support of the League of Nations' non-recognition policy in regard to Manchuria, and the appointment of an American member to the League's Far Eastern Advisory Committee, showed clearly enough that there was no likelihood of any weakening of feeling in this respect.

The American reaction in the month of April to the 'Japanese Monroe Doctrine' has already been recorded. The official response to the Japanese Foreign Office statement was of an anodyne nature, but public opinion was considerably roused; and, when later in the summer Japan made plain her intention to break with the naval ratios established by the Washington Treaty and to claim equality in naval armaments,[2] American sentiment towards Japan decidedly hardened. The change in feeling since the time of the Hirota-Hull correspondence in the early months of the year can be gauged by a message sent to *The Times* by its correspondent in Washington on the 20th October affirming that: 'it would be difficult to exaggerate the gravity with which the present condition of relations between Japan and the United States is considered in official circles here.'

Although this state of affairs had arisen primarily over the naval issue, there were other contributory causes. One of these, which was perhaps more significant in its possible future implications than in its immediate effect, was the spreading to the United States of the contagion of resentment against Japanese trade competition which had become so important a factor in Japan's relations with the industrial countries of the West. A considerable agitation was set on foot against Japan's export to the United States of cheap cotton fabrics competing with the products of the American mills, in spite of the fact that Japan was simultaneously providing the best foreign market for the cotton produced by the Southern States and that imported Japanese piece-goods were, in any case, an almost negligible factor in American consumption.

A more serious cause of American discontent was the treatment accorded to the great American oil companies under legislation enacted in Japan and Manchuria in 1934. On the 1st July a new law, entitled the Petroleum Industry Law, came into operation in Japan, Dairen and Korea which required foreign oil companies to maintain a six months' supply in the country and to provide the necessary storage, while at the same time it gave to the Japanese

[1] See the *Survey for 1932*, p. 557.

[2] The chapter in the history of naval armaments which opened with the preliminary conference in London in the autumn of 1934 is reserved for treatment in the *Survey for 1935*.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

Government price-fixing powers and thus deprived the companies of any security as to future sales. The law also placed quota limitations upon petroleum imports and enabled the Government to give preference to companies using native oil. Representations on behalf of their nationals were made by the American, British and Netherlands Governments, and negotiations were still in progress at the end of the year. In the case of Manchukuo a comprehensive Government oil monopoly was set up with the object of exploiting local resources, bringing the refining process into the hands of the nationals of the country, and instituting Government control over the marketing of oil products. The law establishing the monopoly, its effect upon foreign enterprises and its relation to the Open Door doctrine are dealt with in a subsequent section of this chapter.[1] Here it is enough to mention that American interests predominated to the extent of over 50 per cent. in the petroleum trade in Manchuria—a market which was of very considerable importance, especially for the sale of kerosene oil. Consequently the curtailment of foreign business in this field affected American interests principally, and the controversy which resulted made a material addition to the unfriendly feeling which, as we have seen, was already clouding American-Japanese relations.

Anglo-Japanese relations in 1934 contained the same principal ingredients as the relations between Japan and the United States, though in somewhat different proportions. Engrossed in the European situation, the British public remained comparatively indifferent to Japan's move in claiming a special position in Eastern Asia. Her claim to naval parity woke a keener interest in a nation which had been educated to look on its foreign relations largely in terms of sea-power, and which was particularly alive to strategic questions in the Far East in consequence of the political controversy at home which had given prominence to the plans for the Singapore Naval Base.[2] But if we consider Japan's relations in this year with the British Empire as a whole we may come to the conclusion that the developments which commanded the greatest attention were those concerned with trade. The significant growth and nature of competition from Japan, particularly in cotton textiles, were dealt with in some detail in the previous volume of the *Survey*.[3] By the beginning of 1934 Japan's 'drive for new markets'—partly under the

[1] Section (vi) (*a*).

[2] With regard to the Singapore Base it is interesting to note that in a speech in the Diet on the 13th March Mr. Hirota made the observation that in his opinion it 'provided no ground for suspicion'.

[3] The *Survey for 1933*, Part I, section (ii) (*h*).

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

impulse of the contraction of her trade with her chief customers, the United States and China, and partly in pursuance of her general policy of increased national industrialization—was making itself acutely felt in British Empire markets, especially in India, Malaya and East Africa.[1] In the case of India an agreement to regulate textile imports had been successfully negotiated, as recorded in the previous volume of the *Survey*, on the 3rd January, and the effect in reducing the proportion of Japanese cotton imports made itself very sensible in the course of the year.[2] An attempt was then made to reach a similar understanding between the textile interests of Great Britain and Japan competing in other markets. With this purpose a conference between representatives of these interests was convened in London. It met on the 14th February, and immediately the discussion centred on the geographical scope which the desired agreement was to cover. The British representatives demanded its application to all foreign markets; the Japanese insisted on its limitation to those markets which were controlled by the British Government, that is to say the United Kingdom itself and the Crown Colonies and Protectorates. On this point an impasse was reached and the conference came to a premature end.

The British Government, who had throughout declared themselves anxious to deal with the problem by amicable arrangement with Japan, then inquired from the Japanese Government whether they had any new proposals to make. When a negative answer was received, the Foreign Secretary informed the Japanese Ambassador, on the 3rd May, that his Government found themselves compelled to resume their freedom of action in dealing with Japanese imports into the Crown Colonies; and on the 7th of the same month the President of the Board of Trade announced in the House of Commons at Westminster that the Crown Colonies would be asked to introduce quotas for cotton and rayon imports—adding, however, that the Government continued to hold the view that the problem was one which could be settled satisfactorily only by co-operation in some form between the two countries. When asked whether the Dominions were also to be consulted in the matter, Mr. Runciman replied that the question of restriction in their markets was one for the Dominions themselves and that he could not intervene.[3] Though, as was to be

[1] See G. E. Hubbard, *op. cit.*

[2] Taking all commodities, however, Japan's share in the import trade into India rose from 14·2 to 15·7 per cent. in the financial year 1934–5. In woollen piece goods she quadrupled her shipments and provided 50 per cent. of India's imports; her exports to India of silk and artificial silk goods increased by about 100 per cent.

[3] The most important event in the field of trade relations between Japan

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

expected, this British action was strongly resented in Japan, and a 'Safeguarding of Commerce' law was promptly passed for enabling the Government to raise tariffs and prohibit or restrict imports, no actual retaliatory action was attempted, and Japanese exporters met the situation by redoubling their efforts in neutral markets that were free from British control. Meanwhile, the Japanese official attitude towards the search for co-operative solutions of the problems of competition, on which the British Government rested their ultimate hopes, was broadly indicated by the language of the Minister of Commerce and Industry, who is reported to have said that 'a too rapid development arouses the jealousy and resentment of others, and we must of necessity, in view of international trends, do our best by taking a conciliatory line to moderate these feelings of jealousy and resentment'. The entry of Japanese manufacturers into international cartels with market-sharing arrangements was one of the forms of co-operation which Mr. Machida commended.[1]

Though it may well have been incumbent upon the British Government to protect the position of the cotton industry of Lancashire, where unemployment among textile workers had assumed the proportions of a first-class national problem, their action in closing the door to Japanese trade expansion had wide implications which demanded the most serious consideration. The Japanese people were suffering from a sense of frustration as the result of a long record of foreign opposition to their expansionist endeavours—a record which extended from the revision of the Treaty of Shimonoseki in 1894 to the League action in regard to Manchuria in 1931–3. This series of bitter memories induced a pathological state of mind, comparable with that prevailing in Germany, and any action which could be interpreted as an attempt at 'encirclement' was bound to have the effect of driving Japan still farther along the road of Imperialism in the Far East. From the purely economic point of view, moreover, the more Japan was thwarted in her efforts to extend her markets in the rest of the World, the more she was forced back upon the policy of establishing a regional economic bloc under her own control, and an essential element in this alternative solution of the Japanese

and the British Dominions was the visit to Japan, in the course of his 'good-will tour' in the Far East, of Mr. Latham, the Australian Commonwealth Minister of External Relations. The rapidly developing market in Japan for Australian wool, and the Japanese demand that Australia should reciprocate by increasing her imports from Japan, were bringing the question of trading with Japan into great prominence in Australia, and the results of Mr. Latham's visit augured well for its further development.

[1] See *Economic Conditions in Japan 1933–1934* (Department of Overseas Trade, No. 604), p. 31.

PERPUSTAKAAN NASIONAL

economic problem was the monopolization of the China market. Thus the political and economic issues which Great Britain had to face in her dealings with Japan were indissolubly linked with one another.

There was one country in Europe where Japan's challenging attitude to the Western Powers was greeted with a considerable degree of fellow-feeling. The bond of sympathy between Germany and Japan was of old standing, dating from the time when Japan, searching for patterns on which to model her new Westernized structure, chose Germany for her military ensample. Generations of Japanese officers who had been sent for their training to Germany had created a link the strength of which was particularly potent at a time when the military element was politically powerful in Japan. In addition there were, in 1934, two points in common which were operating to strengthen this traditional friendship between Germany and Japan: both countries were seceding from the League of Nations, and both were hostile to the Soviet Union. It was, therefore, not unnatural that signs of a *rapprochement* made themselves evident during the year. Minor instances of this were the extension (noted in Berlin by the correspondent of *The Times*)[1] of 'so-called cultural contact' between Germany and Japan, and a significant increase in the influx of German newspapers into Japan which was remarked upon by another British observer.[2] The bond created by the similarities in their international status was a favourite text for public writers and speakers; and a speech delivered by the Japanese Ambassador in Berlin in the month of November[3] was remarkable for its references to the grievances against the other great nations of the World which were shared by the two countries. They were united, Mr. Nagai said, by their common isolation; by the demand which each was making for equality of rights; and by a similarity of unfavourable discriminatory treatment which was manifested, in the one case, in the exclusion of Japanese emigrants from 'White Men's countries' and, in the other case, by the denial of colonial possessions.

It was significant of the cordial development in Japanese-German relations during 1934 that, when the Japanese naval training squadron visited Germany in the May of that year, the officers were received by the leading personalities in the country, including Herr Hitler, Freiherr von Neurath and General Göring as well as Field-Marshal von Hindenburg.

[1] See *The Times* of the 26th January, 1934.
[2] See *The Daily Telegraph* of the 17th November, 1934.
[3] See the *Frankfurter Zeitung* of the 18th November, 1934.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

(v) Russo-Japanese Relations

In the *Survey for 1933* it was shown that, while Japan's expansion on to the mainland of Asia, synchronizing with the revival of Russian concern in the Far East, had produced a collision of interests along a very widely extended front, the friction between the two countries had actually focused itself during that year on a local issue, namely that of the Chinese Eastern Railway. The liquidation of that issue, which was virtually accomplished in 1934 in circumstances to be recorded later, relieved the situation between the two Powers of its most immediate danger. It left, however, a wide range of potential sources of conflict and, more important still, a general feeling of tension grounded in mutual fear and mistrust. In analogous circumstances the European nations had sought a solution of difficulties along two separate lines, namely agreements for the avoidance of war and agreements to limit armaments. This dual method had its parallel in the East, where Russia sought security in a treaty of non-aggression while Japan persisted in the effort to bring about regional demilitarization.

Already in 1932 the U.S.S.R., fresh from the conclusion of a chain of non-aggression pacts with states on its western borders, had proposed a similar pact to Japan, but met with no response.[1] The suggestion was repeated in conversations in the following autumn between Monsieur Litvinov and Mr. Hirota, before the latter's departure from Moscow to assume the post of Foreign Minister in Tokyo, and it was revived at intervals in political speeches and press articles during the following two years. The Japanese Government's attitude as expressed on several occasions by their official spokesmen was that the settlement of outstanding differences, and in particular the setting up of a joint commission for dealing with frontier disputes, should precede any negotiations for a non-aggression pact. In December 1934 Mr. Hirota was reported to have handed to the Soviet Ambassador a *note verbale* maintaining this point of view and stating that his Government considered the proposal of a non-aggression pact to be premature, to which the Government of the U.S.S.R. replied by deploring the Japanese refusal to negotiate, repeating their arguments in favour of a pact, but at the same time declaring their readiness to consider the Japanese counter-suggestion of a joint frontier-commission.

While Russia was thus seeking a solution of the Russo-Japanese problem along the lines of a mutual undertaking to abstain from war,

[1] See the *Survey for 1931*, p. 155.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

Japan was urging unremittingly the removal of what she represented to be the chief menace to peace, namely the concentration of military force in the neighbourhood of the common frontier. Russian troop reinforcements and military preparations in Eastern Siberia were the subject of repeated complaint in Japanese official pronouncements, and a suggestion for the mutual withdrawal of troops and dismantling of frontier fortifications was reported to have been submitted informally through the Japanese Ambassador in Moscow in September 1934.[1] The proposal was barren of results other than a storm of indignant comment in the Soviet Press, which pointed out that Russia —holding, as she did, the outer arc of the Amur salient, and having her main line of communication running along, and in close proximity to, the frontier—would have everything to lose and nothing to gain from the arrangement suggested by Tokyo.

The concentration of troops and execution of military works in the neighbourhood of the frontier was a subject of complaint equally from the Russian side. In contradiction of a recent statement in the Diet in which Mr. Hirota had denied that Japan was setting up new military establishments along the Manchukuo-Soviet Border, Monsieur Voroshilov, the Soviet Commissar for War, addressing the Communist Party Congress in January 1934, accused Japan of erecting a military 'jumping-off place in Manchuria' and went on to inform the Congress that the U.S.S.R. had taken measures to strengthen the borders and to 'erect barriers' in the sectors of most importance.

Recriminations of this sort coloured the relations between the two countries to such an extent in the year under review that a survey of these relations may usefully include some mention of the strategic developments which were the cause of so much strained feeling. The facts as reported by responsible foreign journalists in Moscow and Tokyo and by impartial observers on the spot revealed a very rapid strengthening of Russia's strategic position in the Far East and a steady development of that of Japan. By 1934 the U.S.S.R., through the application of the Five-Year Plans in Eastern Siberia, had greatly increased the self-sufficiency of that region as a military base. A system of state colonization had brought the population of the Far Eastern Territory up to nearly two million and had, it was claimed, rendered it practically independent of imported food supplies. Local resources of fuel had been so vigorously developed that the output of coal between 1933 and 1934 rose from 240,000 to over 3,000,000 tons,[2] while the oil output from Russian-controlled fields in

[1] See *The Times* of the 5th September.

[2] This was accomplished mainly by the development of the Bureya coalfield,

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

Northern Sakhalin, which five years before had been only 17,000 tons, had been raised to 250,000 tons. Mechanization had been very widely applied in the chief Siberian industries, and the available labour force was reckoned to have trebled since 1928. Meanwhile, the development of heavy industries and the construction of railways progressed with the help of investment provided under the second Far Eastern Five-Year Plan, which provided for these two purposes alone nearly 3,500,000 roubles (87 per cent. of the entire investment). From the strategic point of view particular significance attached to the making of a railway, begun in 1934 and due for completion at the end of two years, to connect a point on the Trans-Siberian line in the neighbourhood of Lake Baikal with an outlet on the Sea of Okhotsk, running parallel to the existing Amur Railway, which was Russia's sole line of communication with the Maritime Province and which was now highly vulnerable to attack since it skirted the Manchurian frontier. The double-tracking of the Trans-Siberian Railway as far as the Manchurian frontier-station was announced in April 1934 and was subsequently advanced to a point nearing completion, though work remained to be done in the widening of bridges and tunnels.

As regards specifically military developments, fortifications were reported to have been erected at Pogranichnaya, where the Chinese Eastern Railway in Manchukuo was connected up with the railway system of the Maritime Province of the Soviet Union; at Blagoveschensk, which lay on the Amur directly north of Harbin; and at Khabarovsk, at the junction of the Amur and Ussuri rivers; while a strong military base, together with an aerodrome, had been established on some islands at the confluence of the Amur and the Sungari—a key position which was actually a debatable territory since it was claimed by Japan to fall, by the Sino-Russian Treaty of 1860, within the territory now belonging to Manchukuo. Air bases were stated to have been constructed at Spassk, five hours by train from Vladivostok, at Vladivostok itself and at Khabarovsk—the air force amounting in all to between 300 and 400 machines, including fifty heavy bombers reputed to be capable of carrying out air attacks against the chief cities of Japan. In the matter of man-power, the Russian effectives stationed between Chita and Vladivostok—that is to say, within striking distance of the Manchurian frontier—were estimated by foreign military experts at 200,000 men, while the reservists settled on the land were said to number some 150,000.[1]

which was officially described as destined to rival in output the great Kuznetsk basin.

[1] See *The New York Times* of the 14th September, 1934. The Far Eastern

These forces were described by the Japanese Minister of War, echoing the language used by Monsieur Voroshilov in Moscow, as being in readiness for operations against Manchukuo; and in addition to them, according to Japanese official statements, Japan had to reckon with Red troops in Outer Mongolia comprising six cavalry brigades, 400 aeroplanes and 300 tanks.

On the Japanese side of the border the military man-power was stated by General Blücher, the Commander-in-chief of the Soviet Far Eastern Army, in his speech at the Party Congress, to amount to 130,000 Japanese, supplemented by 110–115,000 Manchurian troops, though the official Japanese figures, which foreign expert opinion seemed inclined to accept, were much lower, namely 65,000 Japanese and 100,000 Manchurians. Russian objections to Japanese war preparations were mainly directed, however, against the construction of strategic lines of communication, in regard to which General Blücher complained that Japan had built 1,000 kilometres of railway and 2,200 kilometres of roads, all leading towards the Soviet frontier. No secret had been made by the Japanese military authorities of the importance that they attached to improving the means of transport of troops from Japan through Korea to strategic points in Manchuria; and, after the establishment of Japanese control in Manchuria, Japanese effort had been concentrated on the development of the Korean port of Rashin and on its connexion with the Manchurian railway system. This was completed in September 1933. Other railway extensions facilitating the movement of troops towards the Manchukuo-U.S.S.R. frontier were a line from Harbin to Heiho opposite Blagoveschensk on the Amur, which was finished in December 1934, and another linking Yenki on the Korean-Manchukuo border with Hailin on the Chinese Eastern Railway—supplemented by a road-extension, which was in progress of construction during the year, to a point on the Sungari River, and a road for heavy military traffic along the bank of that river which extended nearly as far as its confluence with the Amur at Khabarovsk. Thus the Amur, which till recently had been a remote and, from a military point of view, relatively inaccessible frontier, had by 1934 become merely a thread separating two highly equipped forces; and Japan had advanced her strategic position in such a way as to render the Soviet Union's hold on her Maritime Province extremely precarious in the event of war. The Soviet Government's reluctance to entertain

Army, which had been created in 1929, was an independent organization, additional to the regular Red Army, and had been formed without any weakening of the latter.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

Japanese proposals for a demilitarized zone finds sufficient explanation in the fact that Russian strength along the frontier line was fundamentally static, being in the form of military bases, while Japan's strength lay in her railways and roads as aids to mobility in a region which was devoid of important towns and of military concentrations.

The reluctance of Japan, in her turn, to respond to the Russian invitation to enter into a pact of non-aggression was due, as already mentioned, to Japan's desire for a prior settlement of existing disputes. Of these the two which in 1934 assumed the greatest importance had to do respectively with the Chinese Eastern Railway[1] and with the Japanese leases of fisheries in Russian waters.

At the close of 1933 the negotiations for the sale of the railway were still in the state of suspension into which they had fallen after the arrest of Soviet railway officials by the Manchurian authorities in the autumn of that year.[2] Their release in April 1934 opened the way for a resumption of bargaining; but almost immediately a fresh deadlock supervened over the question of price. In July the Japanese made an offer, described as 'final', which was not accepted in Moscow. Meanwhile, the revival of reciprocal charges of incitement of train-wrecking and connivance at sabotage, fresh cases of arrest of Russian employees (followed, it was alleged, by maltreatment and torture), and, finally, the resuscitation in Moscow of rumours of Japanese plans to make a forcible seizure of the railway, brought the situation once more to a critical state; but once more, as in the previous autumn, the crisis was relieved by a series of personal conversations between Mr. Hirota and Monsieur Yurenev, the Soviet Ambassador in Tokyo. The official negotiations were taken up again on the 21st September, and from this point onwards rapid progress was made towards the bridging of the gap in price between offer and counter-offer. By the middle of September this gap had shrunk from approximately 580,000,000 yen, the amount at which it had stood at the beginning of negotiations in the previous June, to 40,000,000 yen. By the end of the month further concessions on both sides had eliminated this difference, and agreement in principle was soon afterwards reached on the basis of a payment by Manchukuo to the U.S.S.R. of 140,000,000 yen for the railway, one-third to be in cash and two-thirds in kind,[3] with a further 35,000,000 yen to be paid in compensation to dismissed

[1] The Government of Manchukuo renamed the railway the 'North Manchuria Railway'.

[2] See the *Survey for 1933*, p. 527.

[3] To be taken out in imports into Russia of rice, tea, silk, beans, ships and boats, electrical machinery, tools and copper.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

Russian officials. A last hitch in negotiations over certain subsidiary questions—including that of a state guarantee by Japan of the payments to be made,[1] of the valuation of payments in kind, and of the future ownership of the schools in the railway zone—delayed the final settlement till the 23rd March, 1935, when the transfer ultimately took place and a cheque on account of the payment in cash was handed to the Russian representative. This last act was accompanied by a renewed, but not a particularly vigorous, protest from the Chinese Government, and it evoked from the Russian Commissar for Foreign Affairs the statement that the two countries had reached 'the solution of one of the most complicated problems of the Far East' and an intimation that a friendly discussion concerning the mutual withdrawal of frontier troops had thereby been made more feasible.[2]

While the issues involved in the C.E.R. question were largely political and strategic, the Russo-Japanese fisheries dispute which arose in the early part of 1934, and which revolved round the question of the rouble-yen exchange rate to be applied to Japanese bids at the annual auctions of fishing-grounds, was an instance of the collision produced by the expansion of both sides in the economic sphere. The fishing industry of Japan was second only to rice cultivation as a source of the national food supplies and as an increasing contributor to the Japanese export trade (thanks to the development of canning), and the Japanese fishing-fleet had made itself at home in Russian waters in the Sea of Kamchatka during the period of the eclipse of Russian power in the Far East after the Bolshevik Revolution. Thereafter the Karakhan Treaty of 1925,[3] which had re-established relations between Russia and Japan, had given Japan highly advantageous conditions for its fishing-fleet in the form of the right to lease a substantial proportion of the Russian fishing-grounds and to compete in auctions for the lease of others.[4] The agreement on this subject[5] provided for its continuance till 1936, when it was due to expire in May, upon one year's notice being given by either party. Soviet Far Eastern development under the Five-Year Plans had resulted, meanwhile, in the rapid growth and reorganization of the Russian fishing industry on the Pacific coast, and the ratio between

[1] This was eventually given.
[2] *The Times* of the 15th March, 1935.
[3] See the *Survey for 1925*, vol. ii, Part III, section (iv).
[4] Between 1931 and 1933 Russian waters supplied 9 per cent. of the total Japanese fisheries catch, but a much higher percentage of Japan's exports of tinned salmon and crab.
[5] For the agreement of the 23rd January, 1928, see the *Survey for 1928*, pp. 370–1.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

the number of grounds held by the Japanese and by the Russians had changed considerably in favour of the latter.

It was not unnatural in the circumstances that the Japanese fishery companies which competed in the annual auctions found themselves faced with increasing difficulties. The chief of these difficulties had arisen in connexion with the calculation of the rate of exchange to be applied to Japanese payments. A dispute concerning the rate had lasted intermittently for several years, but a provisional arrangement had been reached in 1931 on the basis of 32·5 yen to the rouble. In February 1934 the Soviet Government announced their decision to raise the rate to 75 yen to the rouble—justifying the rise on the ground of the depreciation in the external value of the yen. The Japanese Government intimated that they regarded this as a breach of the existing arrangement, and the old rate of exchange was applied when payments were proffered in respect of Japanese bids. These bids were thereupon declared invalid by the Russian authorities.

Diplomatic conversations followed, and an agreement was reached that the auctions should be reheld on the 25th May. The fresh auctions duly took place at Vladivostok and the Japanese obtained 42 grounds, making the number operated by them 386 compared with 367 held by the Russians. Yen payments were provisionally accepted on the old basis of exchange, under the reservation that the question of the exchange-rate should be discussed again between the two Governments. Negotiations for this purpose were held in Moscow, and on the 15th August an agreement was reached whereby the old rate of 32·5 yen was accepted by the Soviet Government to hold good during the second half of 1934. The dispute concerning rates of exchange had thus reached no definite solution at the end of the year, and it seemed destined to become merged in the wider negotiations necessitated by the expiry of the Fisheries Agreement in 1936, when the whole question of Japanese participation in the exploitation of the Russian fishing-grounds would come up for revision.

The year 1934 provided its quota of frontier incidents—alleged trespasses by aircraft and vessels of war, firing on fishing-boats, &c. None of these developed to an acute point, and they played as a whole a less prominent part in Russo-Japanese relations than they had played in the preceding year; but one important frontier development occurred in connexion with navigation on the Amur. The need for improved international regulation was illustrated by a succession of shooting incidents on the river which took place in May 1934, and in one of which a Japanese naval officer lost his life. The formulation of rules of navigation on the Amur, as well as on the less important

PERPUSTAKAAN NASIONAL

Sungari, Ussuri and Argun rivers, was undertaken in a conference between Manchukuo and Soviet local officials which was held at Heiho early in July; and in the following month an agreement was concluded to replace that which had been in force since the general settlement of Sino-Japanese affairs in 1924. Provision was now made for a joint Technical Commission. The agreement was officially described in Moscow as 'a technical accord between local river authorities', but its signature was hailed in Japan as a further mark of Russian recognition of Manchukuo—a claim which was to some extent substantiated when the new regulations were approved, in January 1935, over the signatures of delegates of the Manchukuo and Soviet Governments. A defect of the agreement was that it failed, if the reports from Hsinking were correct, to provide a settlement of the question of the disputed sovereignty over the strategically important delta at the confluence of the Amur and Sungari rivers.

(vi) The Course of Events in Manchuria, Mongolia, Sinkiang and Tibet

In the fringe of vast but sparsely populated territories which adjoined Intramural China on the landward side and constituted, together with this nucleus, the historical 'Chinese Empire', the decay of Chinese authority which had set in towards the end of the Manchu régime had been greatly accelerated by the Revolution of 1912–13; and by the beginning of the year 1934 it had reached a point at which Chinese sovereignty had become extinguished over a large part of these outer dominions and existed only in name throughout much of the remainder. A glance over the territories in question would have shown the following changes: Manchuria reft away forcibly from the Chinese Republic two years before; a portion of Inner Mongolia—that is, the province of Jehol—sharing the same fate; Chinese rule being challenged by the inhabitants of the rest of Inner Mongolia, who were successfully claiming autonomy; Outer Mongolia completely detached from China; Sinkiang in a state of anarchy which left but a vestige of Chinese authority; and finally Chinese suzerainty over Tibet reduced to a shadow.

This waning of Chinese power in the outer dominions involved dynamic changes in the status of a large portion of Central and Eastern Asia, and although none of the regions in question witnessed in 1934 any such violent and sudden eruption as had occurred in the Three Eastern Provinces in 1931–3, the redistribution of forces throughout the territories as a whole was a significant development from the international standpoint.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

(*a*) MANCHURIA

Manchuria, as being the area which attracted the greatest public attention in the other countries of the World, will be dealt with first and in fuller detail than the rest. Its relations with its immediate neighbours have already come under review in the preceding sections of this part of the present volume, but its external affairs in general, particularly in regard to the question of recognition, call for further consideration. It will be recalled that the Assembly of the League of Nations had resolved in February 1933 'not to recognize this [the existing Manchurian] régime either *de jure* or *de facto*', and that the Government of the United States of America had concurred in upholding this principle.[1] The principle of non-recognition was maintained throughout 1934 with the aid of the special committee set up by the League for the purpose of advising its members on the implications of non-recognition and as to the limits to which working arrangements (e.g. in regard to the transit of mails) could legitimately be carried without infringing the principle adopted by the League.

The British and American attitude towards this principle underwent no apparent change, in spite of rumours to the contrary. The British Government's conduct was declared by the Foreign Secretary, speaking in the House of Commons at Westminster on the 15th November, 1934, to be 'still guided by the policy of non-recognition'.

The only breach in the united front of the Powers occurred when Salvador notified on the 21st May, 1934, her recognition of the state of Manchukuo. Her Consul-General at Tokyo, through whom the communication was made, stated in explanation of his Government's action that it was 'purely a matter of business, the outgrowth of El Salvador's acute need of new markets for her coffee'.

In regard to *de facto* recognition, the U.S.S.R. had already gone farther than other Powers by accrediting its Consuls in Manchukuo to the Government in Hsinking and by accepting the appointment of consular representatives of Manchukuo to posts in Russian territory.[2] The agreements concerning the sale of the Chinese Eastern Railway and the navigation of waterways, referred to earlier in this chapter,[3] were further hailed by Japan as confirming her view that the U.S.S.R. had virtually recognized the state of Manchukuo. In fact, however, there was no evidence to show that the Government in Moscow entertained any such intention.

[1] See the *Survey for 1933*, p. 508.

[2] Consuls for Manchukuo were appointed at Blagoveschensk and Chita, and the Russian Government were said to have agreed to the appointment (though this had not actually been made by the end of the year) of a Manchukuo Consul-General in Moscow.

[3] See pp. 672–3, 675, above.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

Japan was thus baulked in her effort to 'make an honest woman' of her daughter state. It had been widely predicted that in this event the Japanese Government would exploit the situation by inspiring the Government of Manchukuo to discriminate in matters of trade against the nationals of the non-recognizing Powers. There was little positive evidence of this in the everyday treatment of foreign merchants, whose position in regard to discriminatory taxation and arbitrary treatment in general was described by an impartial inquirer as being certainly no worse than under the previous régime. It is true that foreign agency business was reported to have dwindled and that trade generally showed a tendency to pass increasingly into the hands of Japan (who in 1934 provided 68 per cent. of the imports of Manchuria and absorbed 50 per cent. of her exports), but this state of affairs could be legitimately explained by the high proportion of Japanese capital entering the country[1] and by the fact that a great part of the Manchurian imports represented military and railway material required for the use of the Japanese military authorities and the South Manchuria Railway. There was, however, one direction in which the expectation of discriminatory action was at least partially fulfilled. In 1934 the Government of Manchukuo declared state monopolies covering various industries, in particular oil, coal, gold and steel production. Of these the oil monopoly gave rise to international complications by calling forth vigorous foreign complaints on the ground of unfair treatment and breach of the principle of the Open Door.

This principle had been reaffirmed for Manchuria by the note of the 12th March, 1932,[2] in which the Government of Manchukuo had invited the recognition of foreign Powers and at the same time had given the assurance that 'with regard to the economic activities of the people of foreign nations within the state of Manchukuo the principle of the Open Door shall be observed'. Although on several later occasions authoritative statements had been made that the maintenance of the Open Door and of equal opportunity did not depend upon the giving of recognition, nevertheless, at a certain stage in the controversy concerning the oil monopoly, the Japanese Foreign Office—which up to that point had disclaimed responsibility

[1] In the three years 1932–4, inclusive, Japan was reckoned to have invested 481,000,000 yen in Manchuria, of which 35 per cent. came under the description of 'private investment'. For comparison it may be added that in 1930 existing Japanese investments in Manchuria were estimated at 1,616,000,000 yen out of a total foreign investment of 2,295,000,000 yen, including a Russian share of 590,000,000 which was mainly represented by the Chinese Eastern Railway.

[2] See the *Survey for 1932*, pp. 553–4.

PERPUSTAKAAN NASIONAL

for the action of the Government of Manchukuo in the matter—maintained that the right to claim the fulfilment by Manchukuo of the Open Door clauses of treaties could not properly be claimed by foreign Powers which were withholding recognition from the State. The contention that Japan was free of responsibility for the actions of the state of Manchuria and that the latter could withdraw at will from the undertakings given at the time of its birth was not accepted by the British Secretary of State for Foreign Affairs. In the House of Commons at Westminster on the 29th April, 1935, he took the Japanese Government to task for their failure to use 'their undoubted authority to ensure the fulfilment of assurances given by themselves and by the Manchurian authorities regarding the maintenance of the Open Door and the fulfilment of treaty obligations'.

The facts regarding the monopoly itself may be briefly recorded, since they illustrate the sort of treatment of foreign interests which the Japanese Government were prepared to defend as legitimate, but which the foreign Governments concerned considered to be unfair and incompatible with the principle of equal opportunity in trade. By a law of the 21st February, 1934—which came into operation on the 10th April, 1935—the Manchuria Petroleum Company was established for the purpose of handling the import and refining of crude oil, for which Manchuria provided an important market. The controlling share interest in this company was assured to the Manchukuo Government and the South Manchuria Railway Company, which together received an allotment of 3,000,000 yen of capital, the remaining 2,000,000 yen being divided equally among four of the leading Japanese oil companies. Foreign companies, though not legally precluded from participation, were refused shares on the ground that none were available. The same law provided for a Government monopoly of sales, leaving to private concerns the right only to engage, subject to licence, in refining and in import and export. The foreign oil companies were consequently faced with the immediate sterilization of the elaborate retail sale organizations which they had laboriously developed at much expense in Manchurian territory;[1] they lost the power to fix their selling prices and, as regards the refining business, they were brought into competition with semi-governmental organizations enjoying preferential rights.

If the experience afforded by Manchuria in 1934 and in the two preceding years justified any conclusion as to Japan's policy in regard to the admission of foreign interests on equal terms with her own in territory which had been brought within her sphere of influence, the

[1] The Standard Oil Company alone had 350 sales agents in Manchuria.

PERPUSTAKAAN NASIONAL

correct conclusion would probably be that, in the early stages at least, Japan had shown little desire to multiply her international difficulties by monopolizing economic fields other than those which for strategic reasons she wished to keep under her own control.

We must now turn from Manchuria's external affairs, as these developed after the critical period 1931–3, in order to consider briefly the internal problems which were a much more serious preoccupation for Japan, intent as she was on the task of establishing a continental colonial empire. These problems group themselves conveniently under the headings of defence, population, administration and economic development. Of the first it is sufficient to say that the defence problem was primarily one of the extension of strategic lines of communication, and that no effort was spared to push forward the construction of railways and highways in accordance with plans to facilitate the transportation of troops from ports controlled by Japan to the frontiers of Manchukuo. Beside the railway lines reaching out toward the northern frontier, which have been referred to already in the section dealing with Russo-Japanese relations,[1] work was in progress in 1934 on the construction of a railway running westward to Solun in the Mongol-inhabited country; and from that rail-head extensions were feasible both to the borders of Outer Mongolia and to some point on the Chinese Eastern Railway near its place of exit from Russian territory. Another important extension which was carried out in the course of the year was that of the railway into Jehol, which was advanced to a point only fifty miles distant from the capital of the province.

The Japanese colonization of Manchuria made small progress in 1934, though it is interesting to note that a long-term scheme (to be financed partly at Government expense) for providing a quarter of a million settlers came up for discussion in the Tokyo Diet at the end of the year. Such settlement of Japanese and Koreans as took place was accompanied by serious trouble with the local population. In the month of March, in a district on the Lower Sungari, an incident occurred which bore an ominous resemblance to the Wanpaoshan riot which had exacerbated Sino-Japanese relations immediately before the outbreak of hostilities in the autumn of 1931.[2] Title-deeds were called in by the local authorities as a preliminary—so, at least, the owners believed—to the expropriation of their land for the benefit of settlers, and a peasant rising ensued in which 2,000 Chinese and no less than 400 Japanese soldiers were reported to have lost their lives.

[1] See pp. 671–2, above.

[2] See the *Survey for 1931*, p. 434.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

The influx of Chinese immigrants, meanwhile, bade fair to regain the dimensions of the pre-1931 period. After falling to an insignificant figure in 1932, the net number of Chinese immigrants, that is to say the number of those entering less the number of those returning to China, had risen in 1933 to nearly 100,000, and in the first four months of 1934 it exceeded 130,000, showing that the process of filling up the empty spaces of Manchuria from the over-populated regions of North China was still a factor of primary account in the economic and political outlook.[1]

This large-scale recruitment of Chinese from China Proper lent additional emphasis to the importance for Japan of winning the good-will of the native population of Manchuria. On this point the available evidence indicated that the Chinese peasantry, when not inflamed by exceptional causes of irritation such as attempts to expropriate land, displayed in the main a dumb indifference to the change of régime, but that the relations of the Japanese with the Chinese merchant and official classes were going from bad to worse. This state of affairs was commonly explained by the rough behaviour of the Japanese soldiery and by the contempt and lack of confidence shown by the Japanese officials towards their Chinese colleagues and subordinates. So marked were the effects that a special correspondent of *The Times*, in summing up his impressions of the Chinese feeling towards the Japanese in Manchuria, was impelled to conclude that 'thus far the Japanese have succeeded in inspiring only dislike and distrust'. It should be added, however, that other observers noticed a tendency to improvement in the class of young Japanese administrators arriving in Manchuria to take up junior posts, and reported that the earlier type of aggressive official was disappearing.

In the political evolution of the state of Manchukuo a new stage was reached on the 1st March, 1934, when the Chief Executive[2] was enthroned as Emperor of Manchukuo with the reign-title of Kang-tê and when simultaneously an organic law was promulgated replacing, but reproducing in all essentials other than the establishment of the monarchy, the provisional law enacted in 1932. No form of popular representation was set up, and although a Legislative Council was provided for, its organization was left, as was also the question of the

[1] It should be noted, in this connexion, that Chinese researches in the provinces of Hopei and Shantung, carried out under the auspices of the Institute of Pacific Relations, revealed, disappointingly, that the outflow of surplus population to Manchuria had not been accompanied by any improvement of the local standard of living.

[2] Mr. Pu Yi, who, under the title of Hsuan Tung, had been Emperor of China until his abdication in 1912. See the *Survey for 1932*, p. 457.

PERPUSTAKAAN NASIONAL

succession to the throne, for future determination. The principal organs of government under the Emperor were to be the Privy Council, the State Council (or Cabinet) and a Supervisory Council to deal mainly with finance. A reorganization of the main divisions of the country into ten provinces, which was also effected in the course of the year, represented a movement in the direction of increased centralization, though the Mongol province of Hsingan retained its special semi-independent status.

Within and behind this administrative framework the substantial control remained, of course, in the hands of the Japanese, represented by the Ambassador at Hsinking,[1] the Japanese advisers in the Bureau of General Affairs, which supervised the economic and internal affairs of the country, and lastly the Special Bureau of the Kwantung Army with its offices spread over the country, which handled 'military matters', including a large share in the relations with adjoining states (e.g. frontier disputes with China and Outer Mongolia).

Around the post of the Japanese Ambassador to Manchukuo there developed in the summer and autumn of 1934 a strenuous tug-of-war between the several Government departments in Japan that were interested in administration in Manchuria. The incumbent of the post, being concurrently Ambassador, Commander-in-Chief of the Kwantung Garrison and Governor-General of the Kwantung Leased Territory, united in himself diplomatic, military and administrative functions and was in these several capacities subject to the authority of three departments of the Japanese Government: the Foreign Office, the War Office and the Ministry of Overseas Affairs. In August 1934 the Minister of War put forward a project of reorganization whereby the Governorship-General of the Leased Territory was to be abolished, while the supervision of the Territory, as well as that of the South Manchuria Railway, was to rest with the Ambassador, who would thus be subtracted from the authority of the Overseas Ministry. The Ambassador was, moreover, to be made responsible to the Prime Minister and Privy Council direct, subject to the right of the Foreign Office to issue instructions in regard to diplomatic affairs. The general effect of this proposal was to perpetuate and reinforce the system of military control over the administration of the whole of Manchuria, while at the same time emphasizing the subordinate status of the state of Manchukuo. The Ambassador was, in fact, to assume practically the position of a High Commissioner.[2]

[1] For the functions of this official see the *Survey for 1932*, pp. 460 and 461.

[2] It is interesting to note that the position of Great Britain in Egypt was

Strong opposition to the War Office scheme was raised both by the Overseas Ministry and by the resident officials in the Leased Territories, 1,600 of whom threatened to resign, and the issue became so acute that the Cabinet was in danger of falling. Eventually the military won the day and secured the acceptance of the scheme, in a slightly modified form, by the Privy Council.

The outcome of this departmental wrangle provided a fresh illustration of the superior potency of the military element in Japan in conflicts with the civilians over matters of policy. It also signified a set-back for that Japanese element in Manchukuo which stood for a 'dominion' outlook, and which championed local interests in the development of Manchuria's resources, as against exploitation for the immediate benefit, strategic or economic, of the mother-country. General Hishikari, who on the death of General Muto, the first Ambassador in Hsinking, had succeeded to the post, was understood to be averse from the administrative changes, and at the end of the year he resigned and was replaced by General Minami, a former Minister of War.

Thus, in a review of Japan's standing in Manchuria at the close of 1934, it could be recorded that she had fortified her position strategically very greatly, diplomatically hardly at all and to a doubtful extent internally, in so far as concerned the fundamental problem of winning popular support for her own ascendancy. At the same time she had, in the matter of the government of the country, taken an unobtrusive but not insignificant step along a road which would lead inevitably in the end to outright annexation.

It remains to cast a glance over the economic situation, which, in Japan's precarious financial state, might ultimately prove to be the most important factor in deciding whether her great 'Manchukuo adventure' was to be for weal or for woe. The position in this sphere was not particularly hopeful. On the credit side, Japanese financiers had nearly achieved the notable feat of restoring Manchuria's debased currency, having got rid of over 90 per cent. (in number, not in value) of the old Chinese currency notes by the middle of the year. The substituted Manchurian yuan was a silver unit, backed by bullion to the extent of 61 per cent. and fluctuating as regards external exchange in unison with the Chinese dollar. The advantage to the whole population of this stabilization of the currency was undoubtedly immense, though it was tempered very considerably by the fact that the Japanese gold yen, and to a less extent the rouble, competed with

repeatedly cited by Japanese authorities as a model for that of Japan in Manchukuo.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

the yuan as a currency medium.[1] The Manchurian farmers, to whom the stabilization of the currency was a very great boon, had been further benefited by a substantial reduction of the bandit scourge over Manchuria as a whole. Notwithstanding this, the estimated output of beans and wheat, which together represented on an average two-fifths in value of Manchuria's exports, fell in 1934 by 20 per cent., while the world price for soya beans, the staple of Manchurian trade, remained extremely depressed. The value of total exports continued steadily to decline; and the visible trade balance, which had been strongly favourable till 1932, but had changed in direction in 1933, became in 1934 still more adverse, the actual figures being: 1932+M.Y. 221,000,000; 1933—M.Y. 60,000,000; 1934—M.Y. 96,000,000. No foreign loans were forthcoming to relieve the situation caused by this surplus of imports, the burden of which had to be borne largely by Japan. The Manchurian budget for 1934–5, balancing at M.Y. 273,000,000, showed a deficit of M.Y. 100,000,000, which, taking into account probable supplementary allocations, was expected to increase by over 50 per cent. Although Japanese commentators consoled themselves with the fact that the change in the trade balance was mainly due to imports of capital goods, a large part of which was of a productive nature, the seriousness of the situation could not be concealed, and led to the warning by the Minister of Finance, already quoted above,[2] that a continuance of Manchurian borrowing on the current scale would imperil the exchange value of Japan's own currency.

(*b*) Inner Mongolia

The autonomy movement in Inner Mongolia, the earlier stages of which were recorded in the *Survey for 1933*,[3] culminated on the 13th April, 1934, in the establishment at Pai Ling Miao of an Inner Mongolian 'Autonomous Political Council' representing all of the Mongol Leagues of Inner Mongolia, including those in the Tibetan-populated territory of Kokonor. This Council, which was invested with authority over Inner Mongolian affairs, excluding diplomatic and military matters, was composed of thirteen popular representatives and fifteen tribal princes, with the addition of a Chinese member who

[1] Manchuria was to feel in due course the deflationary effect of the United States silver policy from which China suffered in 1934 (see section (ii) of this part). In May 1935 the Government of Manchukuo were urging the Japanese Government to study measures for the stabilization of exchange between the Manchurian yuan and the gold yen. This was after the Japanese Minister of Finance had informed the Diet, in reply to a demand for the formation of a Japan-Manchuria-North China silver bloc, that 'the time was not yet ripe'.

[2] See p. 643, above.

[3] See Part IV, section (ii).

PERPUSTAKAAN NASIONAL

had a right of veto. When agreeing to the creation of the Autonomous Council, the Central Political Council at Nanking acquiesced at the same time in the major reforms which the Inner Mongolian delegates had demanded in the previous year, and which were that the ploughing up of grasslands and the settlement of Chinese agriculturists should cease, that the Mongolian tribal organization should be preserved unchanged, that the Mongols should collect their own taxes and be free from contributions to the Chinese exchequer and lastly—an essential reform in view of past experience—that Inner Mongolia should be completely exempt from the authority of the Chinese provincial officials.

The moving force in the newly established Council was Prince Teh, the founder of the autonomy movement, whose progressive tendencies at once showed themselves in his selection of a large proportion of 'Young Mongols' imbued with Western ideas to staff the new administration.

By the granting of this measure of autonomy a working compromise was arrived at between Inner Mongolia and China; and although this compromise was marred by disputes over the degree of authority to be exercised by Nanking over the Autonomous Council, and was seriously disturbed in the autumn of 1934 by an incident at Peiping, when a Mongol member of the Council, visiting that town, was abducted and was believed to have been killed by the Chinese police, the settlement did, nevertheless, contain the elements of a permanent solution of Sino-Mongol relations. The Mongols had achieved a measure of independence by exploiting Chinese fears of Japanese ambitions in Mongolia; yet at the same time they had resisted the temptation to divorce themselves altogether from the Chinese connexion, which had proved so oppressive in the past, and to transfer their allegiance to the state of Manchukuo, which had shown peculiar tolerance towards its Mongol subjects. Incidentally, it was noted by foreign observers that the Mongols of Inner Mongolia remained singularly unmoved by the restoration in Manchukuo of the Manchu dynasty, with which in the past they had had so close a link.

Moral inducement was not, however, the only form of pressure to which the Mongols were exposed. Reference has already been made[1] to Japanese encroachments on the eastern borders of Chahar in the spring of 1934, and these were followed by later developments which extended into the next year. In a message dated the 1st June, 1935, the correspondent of *The Times* in Peiping reported the arrival there of Prince Teh, who was said to have come to consult with the Chair-

[1] See p. 659, above.

PERPUSTAKAAN NASIONAL

man of the Peiping Military Council concerning the activities of Japanese officers at Pai Ling Miao itself. A Japanese colonel had, it was alleged, flown to Pai Ling Miao and demanded the right to establish there a branch of the Special Affairs Bureau of the Kwantung Army and to set up an aerodrome and wireless station. The removal of the Autonomous Council from Pai Ling Miao to Paitze Miao near the Jehol border was also reported to have been urged. Such action by Japan—followed, as it was, by a demand for the dismissal of the Chinese Governor of Chahar—could legitimately be interpreted as evidence that the Japanese military authorities, finding the Mongols of Inner Mongolia unready to break with China and thus to open the way for a peaceful absorption of Inner Mongolia into the Japanese zone of influence, were falling back upon more 'positive' methods for the attainment of this end. In any case, Japanese penetration of Inner Mongolia was taking place in a manner which was likely to prove irresistible in view of the weakness of the newly organized 'Inner Mongolian Commonwealth'.

(c) Outer Mongolia

In July 1934 the 'People's Republic' of Outer Mongolia celebrated the tenth anniversary of its inauguration. The remarkable series of political vicissitudes through which the country passed between its first declaration of independence from China in 1911 and the establishment, ten years later, of 'red' Russian military rule—after the country had served for a period as a battle-field between the 'reds' and the 'whites'—was recorded in the *Survey for 1920–3*.[1] The status of Outer Mongolia had been one of the issues dealt with in the general settlement of relations between China and the U.S.S.R. which took place in 1924, and the Sino-Russian treaty of that year secured for China Russian recognition of her suzerainty over Outer Mongolia and a promise from the Government of the U.S.S.R. to withdraw its troops. The promise had not been fulfilled, and within a few months of the conclusion of the treaty the Outer Mongolians, by a nominally spontaneous act, had declared the establishment of the 'People's Republic of Outer Mongolia'.[2] During the ensuing decade Outer Mongolia had gone through a process of gradual 'sovietization' under the tutelage of the U.S.S.R. The exact status of the territory was never clearly defined. The U.S.S.R. alone had officially recognized

[1] See pp. 429, 430 of that volume.

[2] The Hutuktu or 'Living Buddha', who in 1911 had been proclaimed the independent ruler of Outer Mongolia, had died in 1923 and was without a successor.

PERPUSTAKAAN NASIONAL

the Outer Mongolian Republic, but no steps had been taken to cancel the recognition of Chinese suzerainty which had been accorded in the 1924 treaty. The country, it appeared, was not officially incorporated in the Soviet Union, although its position was hardly to be differentiated from that of those Asiatic republics which were members of the Union.

Japan, who had recognized Russian claims over Outer Mongolia, in agreements made with the Czarist Government defining spheres of influence, had never formally challenged the existing régime—which the Government at Moscow were at pains to represent as being purely Mongolian. In 1934 the alleged expansion of Russian military forces in Outer Mongolia was, as already recorded, a prominent feature in the recriminatory campaign carried on between Tokyo and Moscow. The year passed, however, without any developments of a more positive nature. The active Japanese penetration of Inner Mongolia stopped short at the boundary where, as a visible reminder of Outer Mongolian isolation under Soviet control, a sterilized zone had been drawn which no travellers might cross and where the grass had even been cut down—so travellers reported—along the whole length of the frontier in order to assist the work of the patrolling guards.

Monsieur Karakhan, the present Chief of the Far Eastern Department of the Soviet Foreign Office and former Soviet Ambassador in Peking, attended the decennary celebrations of the Soviet Republic of Outer Mongolia in July. It was symptomatic of the state of mind of the competent statesmen in dealing with this region of the world that in his congratulatory speech he remarked that the greatest achievement of the young Republic was the creation of a modern and well equipped Red Mongolian Army. He failed to add any reference to Moscow's part in restoring the military organization of the Mongols, which had so long been overlaid by the pacific influences of Lamaism.

(*d*) Sinkiang

The turmoil of fighting in Sinkiang which had persisted through 1933 and had reduced Chinese authority over the 'New Dominion' to a shadow was referred to in the *Survey* for that year.[1]

To appreciate the situation which had developed by the beginning of 1934, it is necessary to review some of the principal events which had taken place since the death in 1928 of Governor Yang Tseng-hsin. Yang had been the last of the line of Chinese Governors who—relying less on their handful of Chinese troops than on a high capacity for

[1] See the *Survey for 1933*, p. 463.

PERPUSTAKAAN NASIONAL

manipulating the political balance between the various racial and religious communities—had upheld the power and prestige of China over a vast territory where the Chinese population amounted to barely five per cent. of the whole. Yang's successors, abandoning the system of compromise, had tried to assert their authority by the cruder methods of force, curtailing the rights of the local Khans, or, as in the case of the Khanate of Hami in 1930, interfering in the succession. This, with increased taxation, had led to widespread disaffection, and since 1931 China had been faced with a revolt in which the Tungans (Chinese Muslims from the borders of Kansu), the Turkīs and the Mongols had all been involved.

By the end of 1933 the Tungan armies, under their youthful leader Ma Chung-yin, had advanced westwards across the province, attaching to themselves large bodies of Turkī malcontents, and had established their control up to the gates of Urumchi, the administrative capital. Alienated from all possible allies among the rest of the population, excepting the White Russians, and without the least hope of any assistance from China, the Chinese at the capital had been holding out with the utmost difficulty. Their position, however, had recently been reinforced by the arrival at Urumchi of a substantial body of troops, commanded by General Sheng Shih-tsai, who had been part of the 'volunteer' army opposing the Japanese in Northern Manchuria, and who had been repatriated into this westernmost part of Greater China through Soviet Union territory. In the course of their odyssey they had—so it was credibly reported—become strongly indoctrinated with Communist ideas. General Sheng had *faute de mieux* been appointed by Nanking as Governor of the Province, in spite of the fact that he was an open *protégé* of Moscow and was dependent on the Soviet Union for military supplies and technical assistance.

Meanwhile, the southern half of the province was entirely removed from Chinese control. In September 1933 the Turkī leaders at Khotan had started a separate rebellion which partook of the nature of a *jihād* and attracted to itself Kirghiz and other nomad bands from the Tien Shan mountains as soon as it reached Kashgar. Here a so-called Independent Islamic Republic of Eastern Turkistan was set up under the leadership of a succession of Turkī (Chanto) notables. The movement was short-lived and, apart from the fact that it represented an attempt to organize a Central Asian state based on Islamic unity, it was chiefly of interest on account of the persistent, though baseless, allegations in the European Press that the new 'republic' had British support or that it was actually the creature of British policy in Central Asia. In February 1934 the Tungans,

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

who had been defeated in front of Urumchi by the intervention of Soviet troops and aeroplanes, arrived in good order at Kashgar and overthrew the new régime. They in their turn withdrew five months later at the approach of General Sheng's forces, which had gained ascendancy in the north, thanks to Russian help. Ma Chung-yin himself disappeared over the Russian frontier in extremely mysterious circumstances, accompanied by the Secretary of the Russian Consulate General.

Thus by the end of 1934 a nominal Chinese authority had been re-established over the greater part of Sinkiang. Its representative, in the person of General Sheng, owed his position, however, to Russian, far more than to Chinese, support, and it was plain that he could retain that position only for so long as he proved amenable to Russian wishes. The thread joining Nanking to its western dependency had, in fact, worn thin almost to vanishing point. In the opinion of Dr. Sven Hedin (given to the Moscow correspondent of *The Daily Telegraph*),[1] Sinkiang was already 'virtually a Russian protectorate'. This Russian dominance had been brought about mainly by an economic penetration of the province; and this had been facilitated by the use of modern transportation,[2] which rendered the old caravan routes connecting Sinkiang with the east economically obsolete. Commercial agreements had been concluded with the Governors of the Province in 1931 and 1933, and Russian Trade Commissioners and trading organizations had been established in all the principal centres. The trade of the province had been thus almost completely re-orientated towards Russia, and even imports from India were reported to be entering Sinkiang via Russian territory. Culturally also, Russian influence was growing, the Young Turkīs turning from Chinese to Russian educational sources. All appearances pointed to the province being slowly but steadily assimilated—*de facto* if not *de jure*[3]—to the position of the Central Asian Soviet Republics and thus completing the chain of Moscow's satellite states which, upon the inclusion of Sinkiang, would stretch uninterruptedly from the Caucasus to the Manchurian border.

[1] See *The Daily Telegraph* of the 12th April, 1935. Dr. Sven Hedin had lately returned from a journey across Sinkiang, where he had been commissioned by the Chinese Government to survey routes for military roads.

[2] Although the Turk-Sib Railway did not actually touch the territory, 'feeder' lines were projected or under construction to points within the province.

[3] *De jure*, it seemed more likely that Sinkiang would continue, like Outer Mongolia, to be a theoretically independent Soviet state outside the framework of the Soviet Union, in contrast to the existing republics in Transoxania and Transcaspia, which were states members of the Union.

PERPUSTAKAAN NASIONAL

Besides China there were two other Powers that were especially interested in this spread of Russian influence.

So long as it had been under effective Chinese rule, Sinkiang had, for all practical purposes, formed part of the ring of buffer states round the frontier of India. The break in the ring which a Russian domination would involve could not fail to occupy the attention of the responsible Governments at Westminster and at Delhi. Although there was a formidable natural barrier between the two territories, traffic was constant over the passes leading from the Indian to the Kashgarian plain, and this traffic was presumably capable of serving as a carrier for the infiltration of Communist ideas into Indian territory. Moreover, the diversion of trade from India to Russia was, in itself, a matter for serious consideration.

Although Japan had a less obvious stake in Sinkiang, she was at pains to advertise the interest she felt in that country. The 'sovietization of Sinkiang' was referred to with apprehension in Mr. Hirota's speech on foreign affairs which was delivered in the Diet at Tokyo on the 22nd January, 1935; and, in a statement made to the Press, the spokesman of the Japanese Legation in Nanking emphasized the 'interest and concern' with which Japan was watching the developments taking place in Sinkiang. By these and similar allusions, the World was reminded that Japan had become a Continental Power with interests extending into the heart of Asia.

(*e*) Tibet

The recession of China, which had been marked in Manchuria by the advance of Japan and in Mongolia and Sinkiang by that of the Soviet Union, could be measured in Tibet by the expansion of British influence. In 1912, taking advantage of the revolution in China, Tibet had freed herself from Chinese domination in Lhasa.[1] Faced, thereafter, with a choice of looking for future support either to Great Britain or to Russia, she had elected to turn to the former, and had in subsequent years accepted British advice in the task of modernization on which she now began to embark. This Anglophil policy was largely due to the influence of the Dalai Lama, a man of unusually strong character who had resided temporarily in India and had become imbued with Western ideas during the exile that had been imposed on him by the Chinese Government in 1910.

On the 17th December, 1933, the Dalai Lama died, and in accordance with custom the ecclesiastical authorities entered on the task of

[1] For an account of Tibet's foreign relations prior to 1923, see the *Survey for 1920–3*, pp. 431–2.

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

identifying his successor in the person of the infant in whom his soul had become re-incarnated.[1] At Lhasa the political power continued to be primarily in the hands of the Council of State, but their authority tended to be challenged by the ultra-conservative element among the abbots of the chief monasteries, who had been kept in comparative subjection during the Dalai Lama's lifetime. *Prima facie* this reactionary element might be taken to be opposed to British influence and sympathetically disposed towards China.

The opportunity of recovering some of the ground lost at the time of the revolution was not let pass by the Government at Nanking. In the spring of 1934 the Government despatched a mission to Lhasa led by General Huang Mu-sung, the Vice-Chief of the General Staff, who was entrusted with a quantity of gifts amounting, according to reports, to over one hundred yak-loads, as well as with a seal and a patent of posthumous title for the deceased Dalai Lama. On arrival at Lhasa the methods used by the mission in their attempts to assert the suzerain status of China[2] seem to have been not entirely tactful. Manifestoes were placarded in the streets reminding the Tibetans of their inclusion among the 'five nations' of China and exhorting them to look to China as their 'friend and comforter'. The mission was said to have tried also to persuade the authorities to abolish the line of telegraphic communication which linked Lhasa to India and to accept instead a wireless station for communicating with Nanking. A polite negative from the Council of State was, so far as was ascertainable, the only result of the mission, and the attempt to re-establish Chinese authority by means of direct appeal ended in apparent failure.

There remained, however, another chance of success. The Panchen Lama of Tashi Lhunpo, who in spiritual matters was at the head of the hierarchy of Tibet and would, if precedents were followed, become the spiritual guardian of the infant Dalai Lama, had been living in China and Mongolia since he had gone into voluntary exile ten years earlier after a sharp conflict with the former Primate. The Nanking Government had studiously cultivated the friendship of their guest, which had been of no small service to them in their relations with the Inner Mongolians, among whom the Panchen

[1] The search for the infant was reported to be still proceeding in July 1935.

[2] It should be noted that, in the history of diplomatic relations between Great Britain and Tibet, the former never failed to recognize the principle of China's suzerainty. In particular it was recognized in the tripartite agreement of 1913 which was intended to establish the status of Tibet, but which the Chinese Government left unratified owing to their dissatisfaction with the territorial clauses.

PERPUSTAKAAN NASIONAL

Lama commanded profound veneration. The death of the Dalai Lama paved the way for the repatriation of the Panchen Lama, who was generally supposed to enjoy the support of the conservative party in Tibet. Should he return to Tibet, he might reasonably be expected to promote a policy favourable to China, where he had enjoyed high honours and a substantial subsidy at the hands of the Nanking Government. In August 1934 he left Nanking for Mongolia, supposedly *en route* for his own country; later it was reported that he had solicited the Government of India to facilitate his passage to Lhasa through Indian territory. At the end of the year he was, however, still on Chinese soil; and the assumption was that he had not yet succeeded in reaching satisfactory terms with the authorities in Tibet. The transient prospect of China recovering a measure of influence in this one part, at least, of her 'outer dominions' thus appeared to be fading away, although there remained many incalculable factors in the situation produced in Tibet by the death of the Dalai Lama.

PERPUSTAKAAN NASIONAL RI.

PRINTED IN
GREAT BRITAIN
AT THE
UNIVERSITY PRESS
OXFORD
BY
JOHN JOHNSON
PRINTER
TO THE
UNIVERSITY

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA