Title:
Japan’s Economic Expansion into China and Settlement Management Policies: From the First Sino-Japanese War to the Manchurian Incident

Author:
Chihiro, Watanabe

The objective of this paper is to elucidate the settlement management policies of Japan from the First Sino-Japanese War until the Manchurian Incident, in the context of its economic advancement into China. To this end, both mainland Japan’s economic interests and its settlement management policies relating to China have been analyzed. Our aim is to explain one facet of the relationship between Japan and China “proper.”

The economic activities of foreigners in China after the Sino-Japanese War can be divided into economic activities based on commercial treaties (trade and manufacturing industries) and economic activities based on acquired interests attained by competing for the acquisition of rights and interests (railways, mining, etc.). In the case of the Japanese, the interests of those engaged in the second category of economic activities were mainly distributed throughout Manchuria, while those engaged in the first category of economic activities largely made advancements in China proper. Thus, by delving into economic activities based on commercial treaties, it is possible to explain one aspect of the relationship between China proper and Japan.

The commercial treaties signed between China and other countries are considered unequal treaties because they included unequal provisions such as approval of consular jurisdiction, forfeiture of tariff autonomy, and approval of unilateral most-favored-nation (MFN) treatment. This unequal treatment began by reflecting the economic interests of Britain in relation to China (and countries that were accorded MFN treatment), which defined the rules for economic activities for foreign countries in China. The places in which economic activities based on commercial treaties were conducted were settlements, so Japan’s economic interests in China were reflected in its “foreign settlement management policies,” such as support for economic activities developed in foreign settlements and the determination of treaty contents and administration systems for foreign settlements. In other words, it is possible to elucidate Japan’s policies on advancement into China—based on commercial treaties—by analyzing its settlement management policies.
Therefore, this paper compares Japan’s economic interests and activities with its settlement management policies in China. Following World War I, the primary forms of Japanese economic activity in China came to include local manufacturing and acquisition of raw materials, in addition to merchandise exports. In terms of settlement management, the major world powers began to enter China after the Treaty of Nanking, but Japan did so half a century later, after the Sino-Japanese War. For this reason, Japan's settlement management policy must be analyzed based on its relationship to the existing settlement system. Essentially, Japan entered into settlement management in China after the Sino-Japanese War, while accepting the existing settlement system. However, it sought to make changes to the existing system after World War I because the war had changed the circumstances in which Japan conducted economic activities in China. Therefore, this paper considers two periods: the time from the end of the Sino-Japanese War to the outbreak of World War I is the first period, and the time from World War I to the Manchurian Incident is the second period. It was during the second period that diplomatic negotiations broke down between Japan and China, rendering issues with settlements unresolvable. The paper explains the settlement management policies for each period, in the hope that the relationship between Japan and China proper can be evaluated.

The first half of this thesis examines the settlement management policies of the Japanese government from the end of the First Sino-Japanese War up to the outbreak of World War I.

Chapter 1 discusses the formation of economic policy toward China and settlement management policies after the First Sino-Japanese War. The Japanese government put forth policies centering on export expansion and assigned a key role to the Japanese settlement in their implementation. Since the majority of the settlement residents were engaged in commercial activities, it was difficult to rely on the private sector to urbanize the settlement and to establish shipping and financial networks between the settlement and Japan. Therefore, the Japanese government adopted active policy measures to encourage and support Japanese business in China. In addition, the policy measures targeted existing treaty ports that were operated by Western powers as foreign trade bases, i.e. Shanghai, Tianjin, Hankou, etc.

Chapter 2 explains how the Japanese government actively managed its exclusive settlement in Tianjin. Adopting the settlement system arranged between Western powers and China, the Japanese government exercised administrative authority over its Tianjin settlement.

Chapter 3 provides the case of Japanese business expansion in Shanghai after the
Russo-Japanese War as an successful example of the settlement functioning as a direct export base.

While Japan's economic interest in China was centered on merchandise exports, Japanese subjects stayed at existing treaty ports and within foreign settlements were located. However, around World War I China came to be seen not only as a market for Japanese products but also a place for acquiring raw materials inland and for expanding manufacturing industries. When this happened, Japan began to break away from the existing treaty ports system. Hence, the second half of this thesis discusses changes after World War I in settlement management policies as a result of changing natures and the geographical scope of Japanese economic activities in China.

In Chapter 4, I pointed out that the raw materials crisis during World War I prompted Japanese business community and the Japanese government to take an economic interest in inland China as a potential supplier of raw materials to Japan, which is why the Japanese requested the opening of inland China at the Washington Conference.

Chapter 5 examines the rapid expansion of Japanese-owned textile business in China (“zaikabō”) and the increase in cotton purchase directly from production regions by cotton merchants to secure raw cotton access. Such developments, which did not conform to the original treaty port system, illustrated the expansion of Japanese business outside the settlement after World War I, which indeed had its roots during the wartime. Also after World War I, the Chinese side began to call for revising the unequal treaties. The Japanese government actively responded to the demands from the Chinese side and adopted a policy to design and implement a new system that better accommodates the transformed economic circumstances. Such policy stance can be found at the Peking Tariff Conference in 1925-1926. A similar position could also be seen in the formulation of the Guidelines of the Commission on Extraterritoriality in China.

Chapter 6 first examines the negotiations between the Ministry of Foreign Affairs and the Beijing and Nanjing Nationalist governments to abolish extraterritoriality based on the Guidelines presented in Chapter 5. Inside the Ministry of Foreign Affairs, before 1931 the policy was to abolish exclusive settlements held by Japan in China Proper and to immediately abolish extraterritoriality as long as Japanese subject’s rights to trade, residence and manufactures in inland China were guaranteed. Were the implementation of the policy not interrupted by the outbreak of the Manchurian Incident, as explained later in Chapter 6, there could have been possibilities to coordinate with British and American policies and to reach an actual agreement.

Hence, the Japanese government’s settlement management policies between the end
of the First Sino-Japanese War and the outbreak of the Manchurian Incident can be summarized as follows: After the First Sino-Japanese War, settlement management policies were formulated to support merchandise exports from Japan to China. The Japanese government adopted the existing settlement system and exercised administrative authority over Japan’s exclusive settlements. In other words, the Japanese government tried to create an imperium in imperio in China. New settlement management policies after World War I not only promoted merchandise exports but also protected manufacturing and acquisition of raw material in inland China. In addition, it became necessary to create a new system to support the expansion of Japanese business outside settlements. The fact that more and more Japanese subjects were moving to and were economically engaged in places under Chinese administrative authority (i.e. treaty ports without settlements, treaty ports opened by China, and inland regions) blurred the boundaries of settlements; and the Japanese government was aware of the diminishing necessity to maintain an imperium in imperio in China Proper. As a result, the Japanese government adopted the policies to abolish Japanese settlements and to open inland China, and agreed to negotiate the revisions of unequal treaties with China. The dissolution of settlements in China had come about by establishing that Japanese subjects residing in China must observe Chinese law. This development was in stark contrast to the imperialist administrative methods used in, for example, Japan’s annexation of Korea and the establishment of the Manchukuo, in which Japan ruled over the entire area in question.

Therefore, after World War I, it is likely that a new economic relationship between China Proper and Japan emerged, which led to the revision of unequal treaties to equal ones.