Manchuria—The Race for New Resources

By F. R. Eldridge

ALL international complications today have an overwhelming economic motivation. Certainly this motivation dictated Japan's movements in Manchuria, even as early as the Sino-Japanese conflict of 1894–95. And because Japan's action of September 18, 1931 had its roots embedded in the events of the previous thirty-seven years, a glimpse of the historical background affords an enlightening perspective of what appeared to be an overt act; for it must be remembered that while Japan's economic urge was always uppermost, there were other motives that led to the first of the series of conflicts in and concerning Manchuria. One of these was the strictly political consideration of security.

Russia's Manchurian Diplomacy

The Russian encroachment upon Manchuria and upon the then helplessly chaotic Korea was an important cause of the Sino-Japanese conflict. Russia wanted Korea—wanted a warm water port on the Pacific—and Russian diplomacy gave hope and comfort to the imperialistic aim of Li Hung-chang, dominant power in the court of a decadent Manchu Empire, that led to defiance of Japan in Korea. The result was a whirlwind campaign by Japan that swept the Chinese armies across Manchuria and caused them to sue Japan for peace at any price rather than undergo the imminent humiliation of having a foreign army enter Peking, where Manchu power was already tottering. The price that Japan demanded was the lease of the Liaotung Peninsula, the cession of Formosa, and a money indemnity. It was the first move in the race for Manchuria's resources, and was a definite proof of Japan's economic motive.

Russia thus met her first setback in a trial by battle, although it was China that had been the pawn. Russia was not to be so easily defeated around the green table of diplomacy. The Czar called his cousin, the Kaiser, to his aid, and with the tacit approval of France, then anxious to solidify the Entente, "suggested" that Japan relinquish the demands upon Liaotung and accept a money indemnity. Japan needed money, and was not prepared to face such a triumvirate. She acquiesced.

Russia now adopted a new course of action. China needed money to pay the indemnity. Russia, able to borrow it from France, was ready to advance it—but on certain conditions. To Li Hung-chang, then on a secret mission in St. Petersburg, the conditions did not seem especially onerous. All that Russia wanted was the right to build a short-cut for the Trans-Siberian Railroad, then under construction, enabling the railroad to reach Vladivostok by a straight line rather than by the circuitous route that would be wholly within Siberia. Russia appended a secret clause that gave her the right to extend the Chinese Eastern railroad south to the tip of the Liaotung Peninsula—which she had just forced Japan to give up—and to fortify a harbor there if further aggression on Japan's part seemed to warrant such action.

But these conditions did not alarm the subtle Li Hung-chang. His whole diplomacy revolved about the simple axiom of keeping the "foreign devils"

at bay by setting them at one another's throats. So the contract was signed and the construction of the Chinese Eastern Railway began, the funds being supplied by the Russo-Asiatic Bank, which in turn borrowed them from the frugal French peasants.

The ink was hardly dry on this momentous document when Cousin William became alarmed at what appeared a far too subtle policy of his thick-witted cousin's ministers. Meeting the Czar at an army review one day, he remarked quite unconcernedly (according to the secret archives unearthed years afterwards by the Communists): "Would you mind if I took Shantung?" "No," replied the Czar; "but where is it?" The Kaiser explained in detail. He had developed an uncanny interest in the "Yellow Peril," and knew his China quite well. It seemed to the Czar remote enough from Manchuria, and so the matter stood. The two cousins kissed fondly on parting.

A few months later, two German missionaries were murdered by Chinese bandits in Shantung. This in itself was not an uncommon happening in China, and normally might have caused no action except the usual diplomatic exchanges and a cash indemnity to the relatives. But to the Kaiser, it was the untoward event for which he had been waiting. Shantung was seized, and Germany began to fortify Kiaochow, build a railroad, and develop the mines. Shortly thereafter, France moved north from Indo-China and received a concession from China to build a railroad to Yunnanfu. The British received Weihaiwei as a naval port, but in reality as a wedge between Russo-German zones in North China. The battle of concessions was on. The foreign devils were not jumping at one another's throats, as Li Hung-chang had hoped, but were calmly carving out spheres of influence in China by mutual tacit consent.

Then Li Hung-chang died and the wily Empress Dowager became Regent. The fanatical Boxers, intent upon driving the Manchus from the Dragon Throne, were skillfully diverted by her to an attack upon the foreign devils. After the lifting of the siege of the foreign legations in Peking in 1900, the powers of Europe were eager to partition China; but here stepped forth a miraculous saviour for China in the person of John Hay, McKinley's Secretary of State. He sought European support for a Chinese policy patterned after an earlier settlement of the Congo dispute. Every nation should keep hands off and allow China "the most unembarrassed opportunity" to place her own house in order. Europe, already a hotbed of mutual distrust, grudgingly agreed.

But the Czar was not to be long diverted from his goal by such fatuous ineptitude. Russia took advantage of the chaos incident to the relief of Peking to hasten the construction of the South Manchuria Railway to Dairen. This was pushed with great speed, as was the fortification of Port Arthur, and the suspicions of Japan were once more aroused. The open door in Manchuria was being stealthily closed.

By 1902 Japan had concluded a defensive alliance with England, who secretly feared Russia's challenge on the seas if a warm water port were ever acquired. By 1904 Japan was ready for a supreme effort. At the moment, Japan's policy was purely defensive, just as twenty-seven years later it was almost entirely economic; for at that time Japan did not face the economic conditions at home that confronted her in 1931. The population was increasing, but not at an alarming rate. Japanese schoolboys were still admitted,

though grudgingly, to California schools, and rapid industrialization was furnishing a surplus of manufactured goods which could be exchanged for rice from Siam and Burma. In 1904 Japan feared Russian aggression. In 1931 Japan feared Russian economic doctrine. Already, Russian influence was being felt in the chaos of Korean politics. A strangle hold on the Liaotung Peninsula would mean eventual control of Korea and oblivion for Japan. Japan struck first and explained afterwards. Within two years Russia was defeated, but Japan also was nearly prostrate. President Roosevelt, at Portsmouth, brought about peace, and Japan was awarded the South Manchuria Railway south of Changchun.

EMIGRATION TO MANCHURIA

Almost from the moment of occupation of South Manchuria, Japan began systematically to render it a land of law and order. No better proof of her success is needed than the figures which show the steadily increasing immigration of Chinese from Shantung and other regions of China still under the benighted rule of the warlords. By 1923 the number of Chinese immigrants had reached 433,689 a year, and this increased until 1,178,254 Chinese immigrants arrived in Manchuria in 1927.[1] From the period of Japanese occupancy of the railroad zone in 1905 until the present time, the Chinese population of Manchuria has increased from ten to thirty million. The Japanese population of Manchuria, on the other hand, has increased only a few hundred thousand. The reason for this is the key to Japan's economic policy in Manchuria.

Even under the stress of more and more severe economic conditions in Japan, the Government has been unable to induce Japanese to emigrate either to Chosen or to Manchuria. Both the Koreans and the Chinese in Manchuria have an immeasurably lower standard of living than the Japanese. The climate of Manchuria, untempered by the warm Japan current as are the shores of Nippon, is severe in winter. Rice, the staple foodstuff of the Japanese people, will not grow readily in most parts of Manchuria. So, faced with the competition of a lower-standard people, the noncontinental, sea-loving Japanese have been willing to endure the most severe economic hardships at home rather than emigrate, although millions have been spent by the Japanese Oriental Development Company to induce them to do so.

JAPAN'S DEFICIENCY IN PRODUCTION

But if the Japanese have been unwilling to emigrate in the face of one of the most rapidly increasing populations in the world, the framers of Japan's policy have not overlooked the value of Manchurian resources in the development of Japan's national economy. It was shortly after the Russo-Japanese War that Japan's population growth began to reach serious proportions. This was reflected in the net deficiency of foodstuffs. By 1927 the ratio of Japan's deficiency in production of foodstuffs to the volume of demand, as indicated by the imported surplus, was 15.3 per cent.[2] Thereafter the percentage fell gradually as attempts to induce the Koreans to grow rice proved more successful, but in 1930 it was still 10.7 per cent. In other words, in that year Japan's demand for foodstuffs of all kinds was estimated at 74,938,000 koku of approximately 5 bushels each, while to supply this demand, 8,063,000 koku

[1] Report on progress in Manchuria—The So. Man. Ry —1907–1928.

[2] Relations of Japan with Manchuria and Mongolia—Document B.

were imported in excess of the slight exports. How this deficiency was to be paid for was the key to Japanese diplomatic action. It could be paid for only by a net favorable balance of trade and services; but Japan was woefully deficient in many of the raw materials of industry necessary to produce a favorable balance of exports of manufactured goods over imports of raw materials. In many commodities this deficiency was as high as 100 per cent for Japan proper. In 1929[3] the ratio of deficiency in production to volume of demand for raw cotton was 99.9 per cent; wool, 100 per cent; hemp and similar fibers, 81 per cent; aluminum, 100 per cent; lead, 94.6 per cent; copper, 4.2 per cent; tin, 80.6 per cent; zinc, 55.1 per cent; crude rubber, 100 per cent; timber, 39.5 per cent; salt, 30.7 per cent; oil seeds, 68.8 per cent; coal, 1.2 per cent; oil, 65 per cent; iron ore, 79.5 per cent; pig iron, 33.4 per cent; steel, 94 per cent. These figures left but two courses of action—a development of wider markets for Japan's exports, and the securing of imports as cheaply as possible. In both of these respects, Manchuria offered the most tempting field.

This situation was not materially altered by Formosan and Korean productions. Formosa had a 43 per cent surplus of rice which amounted only to 2,179,000 koku. This was compensated by an 86 per cent deficiency in beans and a 100 per cent deficiency in millet. The 12,430,717 kin[4] surplus of Formosan sugar did help the food problem, as did the export of such products as coal and camphor; but Formosa is a small island, of limited population.

Korea, with a 47 per cent surplus of rice, provided only 4,384,000 koku for Japan proper in 1929. The 25.9 per cent surplus of beans represented only 1,010,000 koku, while there was an actual deficiency of 39.8 per cent in millet, an 83 per cent deficiency in peanuts and a 333,911 kin deficiency in sugar, which ate into the Formosan surplus. Korea had a 15,098 kin deficiency in fertilizers, and a 2,224,714 kin deficiency in salt. Such was the food situation in the two colonies which Japan had acquired. Since 1894, neither had afforded much relief to Japan's growing population problem. The Formosans, the Chinese, and the Koreans all underbid Japanese labor and were content with lower standards of living.

In raw materials, Formosa was 100 per cent deficient in raw cotton, 33 per cent in hemp, 100 per cent in tin, 64 per cent in oil seeds, 84 per cent in petroleum, and 100 per cent in steel, and had only a 28 per cent surplus of about 336,000 tons of coal.

Korea's deficiencies were equally alarming. Although raw cotton production had been pushed, the crop of 49,019,000 kin was still 1.9 per cent under Korean demand. There was a small surplus of lead and copper, but tin, zinc, crude rubber, petroleum, and steel all showed 100 per cent deficiencies; salt, 42 per cent; oil seeds, 29 per cent; coal, 37 per cent; and iron ore and pig iron, 4.8 per cent and 3.2 per cent respectively.

How was Japan to meet this serious situation? By intensive development of overseas markets: first, in China proper, where normally a market for 25 per cent of Japan's manufactured goods was to be found; second, in the United States, where most of Japan's raw silk—a third of Japan's total exports—was marketed; and third, in a widely scattered group of other markets, including India, from which much of Japan's raw cotton was imported; Burma, Siam, and French Indo-China,

[3] *Ibid.*, pp. 185–192.

[4] The Japanese kin equals 1.325 pounds.

which supplied the rice deficiency; the South Seas, including Java and the Philippines, which supplied rubber and hemp; Australia, which supplied wool; and South Africa, which supplied wool and minerals.

JAPAN'S MANCHURIAN TRADE

By no means the least important market for Japanese exports, however, was Manchuria, with its growing population and its augmented supplies of soy beans which furnished food for the people and fertilizer for the paddy fields of Japan. Manchuria's trade had grown with its population. With exports of 22 million haikwan taels [5] in 1907 and imports of 30 million, the exports had grown to 408 million taels by 1927 and the imports to 268 million taels. The net favorable merchandise balance was well distributed as a fruitful basis of taxation. Of the total trade, 40 per cent was with Japan in 1927, and 30 per cent with China. Both countries imported almost 50 per cent more from Manchuria than they exported to Manchuria. Russia stood third with 13 per cent of the total trade, and the United States fourth with 4 per cent. Netherlands, England, and Hong Kong each had 3 per cent, and Germany, Dutch East Indies, and Italy, each 1 per cent. In all these countries except the United States and Hong Kong, imports from Manchuria exceeded exports to Manchuria. In the case of Russia the ratio of imports to exports in the trade with Manchuria was three to one.

This presents a fairly accurate picture of the race that had been taking place during the previous twenty years for the fast developing resources of Manchuria. It was essentially a race between China and Japan. Soy beans constituted 25 per cent of Manchuria's exports, and bean cake 22 per cent. These, together with the 9 per cent of coal, were the principal exports to Japan. Europe took most of the 8 per cent of bean oil exported. China took the 8 per cent of millet, the 5 per cent of kaoliang, and the 5 per cent of other cereals. She also absorbed much of the 13 per cent of unclassified merchandise, including wool, furs, and minor foodstuffs. Russia took soy beans, furs, and wool.

Of Manchuria's imports, Japan supplied most of the 20 per cent of cotton piece goods, much of the 9 per cent of cotton yarn and other piece goods, and some of the 30 per cent of miscellaneous manufactured goods. China supplied a share of the piece goods from Shanghai (including Japanese and British owned) mills, much of the 3 per cent of flour, and the 3 per cent of paper. Hong Kong refineries supplied a great deal of the 4 per cent of sugar, while the United States supplied a large part of the 3½ per cent of machinery, the 5 per cent of iron and steel, and the 2½ per cent of kerosene. Russia's exports were of a wide variety of goods.

The key to Japanese domination in both the export and the import trade of Manchuria was the South Manchuria Railway. This principal artery of transportation, with the mile wide railroad zone in the towns and cities under Japanese control and the free port of Dairen at its southernmost terminus, gave Japan control over the distribution and the collection of manufactured goods and raw materials. This extended throughout South Manchuria, but the Russian branch of the Chinese Eastern Railway to Changchun successfully contested Japan's domination in the north. Until 1930, therefore, most of the beans and bean products of the north found their way to Europe from Vladivostok and were included in the Chinese statistics as exports to Rus-

[5] One haikwan tael equaled about 60 cents.

sia. But the ratio of development and progress of South Manchuria was very high compared with that of Northern Manchuria, where the hard winters challenged even the hardihood of the doughty Chinese immigrants from Shantung and the Yellow River Basin.

POLITICAL COMPLICATIONS

The dominating political figure in Manchuria during these two decades of development was Chang Tso-lin. An ex-bandit, he had consistently played Japan's game and had profited by the peace and security which brought millions of Chinese from war-torn China proper to settle within his domain and to add to his own fortune through the high but not ruinous taxes which he extracted. Japan, anxious only for unchecked supplies of beans and cake, was quite willing that Chang should exact the price of peace so long as his tribute did not constitute too heavy a burden on trade.

This was the situation at the outbreak of the Nationalist movement in China. At the Washington Conference the open door policy had been once more affirmed, and Japan had been gently but firmly forced out of Shantung, taken from Germany during the World War. This weakened Japan's position in the Far East and fanned the flame of Nationalism in China. China, with a passive sympathizer in the United States and an active supporter in Soviet Russia, thereupon embarked upon a course of political action which culminated in the present situation.

Borodin, the Communist agent, had been active in South China since 1925. His influence had spread northward through disaffected provinces to Hankow on the Yangtze, and reached its peak in the attack on American missionaries in Nanking in 1927. The American Consul, who ordered our gunboat to lay down a barrage on the oncoming Communist looters in order to permit the American residents to escape with their lives, was recalled and transferred to Europe. Then Borodin attempted the impossible in China—communization of the land. So long as he had furnished leadership in China's drive against the foreigners, he had been tolerated; but the Chinese is an individualist at heart, and private property is sacred. Borodin was driven out of China and the power was seized by Chiang Kai-shek, who had married into the Soong family and was closely associated with the ideology of the late "Father of the Revolution," Sun Yat-sen. Chiang Kai-shek, while originally from Canton, was non-Communist. He had broken with the Southern leaders when he turned against Borodin.

Meanwhile, Chang Tso-lin had died from an assassin's hand on his return from Peking, where he had suffered an ignominious defeat in his attempt to extend his influence beyond the Great Wall. His son, Chang Hsueh-liang, was not inclined to play Japan's game. He had inherited his father's army, his father's war chest, and his father's arsenal, but not his father's sagacity. He entered into secret negotiations with Canton against Chiang Kai-shek. Had he confined himself to wasting his resources on fruitless efforts to attain the Dragon Throne, as his father had done, Japan might have tolerated him. But the young marshal thought he was much more clever than his father. He became imbued with the Nationalist idea that Japan was in Manchuria illegally, having extended her twenty-five-year lease on the South Manchuria Railway to ninety-nine years by the Twenty-one Demands forced upon China in 1915, when the other powers were at war.

In seeking to build up his military

strength with a view to ousting Japan, young Chang resorted to questionable means of debasing the currency and buying the Chinese farmers' crops with the currency so debased, in turn selling these crops to the Japanese for gold yen. The Japanese tolerated this because the brunt of the transactions fell upon the Chinese farmers and not upon them. After all, young Chang produced beans, no matter how little he managed to pay the Chinese farmer for them. In time, however, this practice of the young marshal proved his undoing, for it undermined his influence with the solid farmer population of Manchuria and ranged it tacitly with the puppet government which Japan set up under Henry Pu-Yi.

Chang used his ill-gotten gains, however, to build feeder lines to the South Manchuria Railway, obtaining the rails and equipment on loan from the Japanese owned line. So long as these lines acted as true feeder lines, Japan viewed them with good-natured equanimity. Wherever they went, moved more Chinese, and more beans were produced. Then the young marshal outdid himself. With consummate cunning he built a line connecting two of these semicircular feeder lines in Western Manchuria in such a way as to parallel the South Manchuria Railway. Then he gave a contract to a firm of Dutch engineers to develop the port of Hulutao, midway to the Great Wall, on the China Sea.

This was a stop signal. With the creation of a western parallel to the South Manchuria Railway and the building of a port rivaling Dairen, Japan saw the valuable bean trade slipping from the control afforded by the South Manchuria Railway's transportation monopoly, and coming under Chang's independent ægis. This meant fewer beans for the Japanese rice fields and an accentuation of the already stringent economic conditions which Japan faced at home, because it would also make distribution of Japanese manufactured goods more difficult.

INTERPRETATION OF RECENT EVENTS

The attack of September 18, 1931, was merely the military culmination of this economic warfare which the young marshal, encouraged by communistic Cantonese leaders, had been quietly waging against Japan since the death of his father. If the Chinese had not shot Captain Nakamura nor bombed the railroad near Mukden, there would have been some other cause for the outbreak. The result was inevitable. The die was cast when young Chang showed his hand in interfering with Japan's economic supremacy in Manchuria.

What has transpired since is a familiar story, no doubt, to most people in this country. The Shanghai affair, induced by the anti-Japanese boycott of the Cantonese sympathizers which made up the Nineteenth Route Army; the year of guerrilla warfare carried on by bandits supported by the young marshal who escaped with most of his army beyond the Great Wall; the physical difficulties involved in putting down bandit raids during the harvest period without actually destroying the high millet which formed the principal foodstuff of the people; and the final determination to extend the conquest to the Great Wall which forms a natural barrier against banditry invasion, as well as the historic border of Manchuria on the west—all these things are current history.

Behind these events lie thirty-seven years of open and covert conflict between Russia and Japan on the one hand and China and Japan on the other for the control of the immensely important and growing resources of

Manchuria. For Russia, these resources meant simply an extension of a vast empire and the forwarding of a movement, temporarily checked in 1927, destined to render China, if such a thing were possible, still more inert and supine than at present. For China, these resources meant an outlet for millions on the verge of starvation at home, not through lack in land, but because most of it had been rendered valueless through centuries of misuse. For Japan, they meant the difference between the present order tenuously sustained by the trade and resources of Manchuria, and a possible chaos superinduced by the famine that would result from their relinquishment. The rulers of Japan had cast the die.

Unless this position of the three contestants for Manchuria's resources is fully understood, it is impossible to get a true perspective upon the diplomatic and military movements that have taken place.

INHERENT WEAKNESS OF VERSAILLES TREATY

The Versailles Treaty undertook for the first time in history to set up and implement a theory that was essential to its avowed purpose of bringing about future world-wide peace. This theory holds, in effect, that the present political boundaries of the world shall remain fixed for all time; that no nation shall overstep those boundaries without universal consent; and that if those boundaries are extended by force, certain machinery for the mobilization of world opinion against the offending nation shall be set in motion which will practically outlaw it from association with other nations. This theory has no historical basis; it has no economic basis. Both history and economics show that nations, like individuals, have grown and must be permitted to grow. Unless something can be done to prevent them from growing, sooner or later they must violate this concept of a static world set in the mold that may have fitted thirteen years ago, but may not fit now.

I hold no brief for Japan's violation of its solemn undertakings at Versailles, at Washington, and at Paris. Legally, Japan is wrong. It has violated the spirit and the letter of all three pacts. But Japan was wrong much earlier and much more fundamentally from an economic standpoint, when she signed those pacts and undertook to live up to them. Sooner or later, the natural economic forces that began to work in Japan when Admiral Perry opened the country to foreign intercourse were bound to assert themselves. Japan is economically dynamic. It cannot be held in a static rôle. The surge of population increase was bound to break the narrow confines to which shortsighted Japanese statesmanship sought to restrict the country. Japan simply happened to be the first nation to prove the economic fallacy of the theory of national sterility and immobility which is the modern basis of world peace. Other instances must follow. The inherent weakness of the Versailles pact has only now become manifest.

For Japan there is no military or diplomatic retreat, because there is no economic retreat. Millions of unborn Japanese are the dominant factors that set Japan's diplomatic course. The resources of Manchuria must support them. In time, perhaps, the resources of other undeveloped and empty areas of the world, now held in fief for unborn children of other nations, may have to be given up to the virile race that has proved itself unconquerable in Asia. No League of

Nations pact, no Lytton Report, can prevent it. The battle for the world's resources is on, and to the victor belong the spoils. As long as there are resources to be had, we cannot expect restriction of population growth.

I am not so rash as to think that economic sanctions cannot be applied to the present situation. We can conceivably boycott Japan's raw silk, and further deepen our own depression by throwing thousands of American silk weavers out of work. If we should embark upon such a course it would add new and dangerous weapons to a fray with which for the moment, at least, we have only an academic concern. The boycott was definitely rejected at Versailles as too dangerous a missile, because too many nations live in glass houses. Japan's rice supply could be partially cut off by embargo; but if I know the Japanese people, they would, under such circumstances, cheerfully turn to Manchuria's wheat and millet. An international punitive expedition might be organized by the League to enforce its mandates. But none of these steps would remedy the economic conditions which have driven the Japanese to ignore treaties and endure the hardships of Manchuria in order that they might survive.

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