North China in a Japanese Economic Bloc

Russell G. Shiman


What is behind the autonomy movements in North China? On the one hand communist spokesmen see not only the openly admitted Japanese desire to suppress the communist movement in North China; they also feel that behind the screen present Japanese activities constitute a further step in preparation for a war against the U.S.S.R. On the other hand, many interpret the move as part of a scheme to build up a large pan-Asiatic league with Japan in the lead. Still others see the step in North China purely as an outlet for the bursting energy of the Japanese military clique, and as an indirect move to strengthen their power in Japan and overawe strong domestic opposition. Others who think in terms of opportunism find Japan “grabbing” as much as she can while the Great Powers are centering their attention on another part of the world. And lastly Japan’s moves are regarded in many quarters as a logical step in a policy which dates back to before the great disappointment of the Sino-Japanese War of 1895. From this point of view North China is simply following in the footsteps of the Luchu Islands (1879), Formosa and the Pescadores (1895), Korea, Dairen and Port Arthur, and Kwantung Leased Territory (1905), Manchuria (1931), and Jehol (1933).

Whatever the importance of any one or more of these interpretations from the political or strategical angles, they all appear at the moment to be directly or indirectly entwined with a dominant economic objective – a Japan-Manchoukuo-North China Economic Bloc.

The conception of this bloc is sometimes justified on the grounds that Japan is simply emulating the example of the Western powers. Great Britain since the Ottawa Agreements has striven to organize an empire economic unit. The United States has its economic satellites in the Western Hemisphere. France’s gold bloc appears from one point of view to be another group. Why not a Japanese economic bloc!

The events of June and July 1935 certainly did not signalize the birth of this idea. The modern phase of the present Japanese “pressure” on North China dates back to the establishment of Manchoukuo. But the summer months of this year witnessed the first active and definite steps to create a North China unit which with Manchuria would approximate a self-sufficient Japan-Manchoukuo-China bloc.
In June a secret agreement was signed by General Ho Ying-ching, Nanking Minister of War, and Lieutenant-General Umetsu, Commander of Japanese Troops stationed in North China. This Agreement, the contents of which were unofficially disclosed several weeks ago, is chiefly political and strategical in nature. But at the same time, in addition to bringing about the removal of Chinese troops from North China and the substitution of new officials more acceptable to Japan, it called for and partly effected the elimination of the organized anti-Japanese movements in this region. This left the door wide open for “economic cooperation,” the leit motif of the Japanese case today.

In early July – as far as the story can be pieced together from the meager information at hand – Major-General Kenji Doihara, who is often referred to as the Lawrence of Manchuria, attended a conference in Peiping of high staff officers of the Kwantung Army. Here he urged economic cooperation between China, Japan and Manchoukuo. A few days later, on his return to Hsinking, the capital of Manchoukuo, he was able to announce to the Kwantung officials that the Chinese troops in Chahar would be withdrawn from the newly-established demilitarized zone along the frontier of Jehol and Chahar by July 10th.

It was later reported that Doihara had approached the South Manchuria Railway, on behalf of the Kwantung Army, to seek cooperation in the formation of an economic bloc to include North China as well as Manchoukuo. The first paragraph of the plan proposed “exploitation of North China along various lines such as mining, commerce, industry and agriculture, and investment therein.”

On July 7th, a group of seven Japanese economic investigators representing the South Manchuria Railway Company, Dairen commercial interests and Japanese industrialists arrived in Tientsin. The delegation, it was reported, would investigate financial, commercial, textile manufacturing, agricultural, and mining conditions in Peiping, Tientsin, Chahar, Hopei and Suiyuan. They would also study the improvements of communications in these areas.

The next act in the drama was played in the capital of Manchoukuo. On July 15th, an “Agreement for the Establishment of the Japan-Manchoukuo joint Economic Commission” was signed. This Commission was designed to work out the mechanics of industrial and commercial cooperation between the two countries. The Japanese *Nichi Nichi* reported that the Commission must aim to avoid competition between Manchoukuo and Japan, encourage production of raw materials needed by Japan, and work out a system of stabilizing the exchange rate between the two countries. In other words, the setting as well as the tone of the establishment of the Japan-Manchoukuo bloc emphasized a point which activities extending over three years had at last made evident. The fruits of economic unity were not living up to the promises which General Araki and other leading military men had foretold at the time of the Manchurian Incident in 1931. Not only was Manchuria failing to supply Japan with much needed raw materials, but the industries arising in Manchoukuo were threatening to compete with those in Japan. And the costs of administering, defending, and developing the new Empire were proving a heavy drain on Japan’s limited resources. (See “Manchuria as Japan’s Economic Lifeline,” *Far Eastern Survey*, Nov. 20, 1935, pp. 182–186.)

The situation is summed up in an article by a prominent Japanese journalist, Dr. S. Washio. Recognizing that the “wild hopes of Manchuria’s economic possibilities” had not materialized, he wrote in July: “A development of far greater value which has been