CHAPTER 5

The Expansion of the Japanese Empire and the Rise of the Global Agrarian Question after the First World War

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Introduction: Structural Transformation of the Japanese Economy and World War I

In the week leading up to Japan’s entry into what was at the time a limited conflict between European powers, newspaper articles analysed the impact that a protracted conflict could have, particularly on Japanese trade with foreign nations. One such article was ‘Keizaijō no Eikyō: Ōshu Karan to Honpō’ [Economic Effects: Our Country and the European Tumult], published in two parts on 3 and 4 August 1914 in the Chūgai Shōgyō Shimpō, an economic daily with close ties to the Mitsui group, one of the largest concerns [zaibatsu] in the country whose interests ranged from finance, steel, mining, shipping and trading. The article expressed optimism about the expanded opportunities that Japanese shipping and commercial interests would enjoy if the conflict expanded into an international war.1 It brushed aside worries that other articles expressed about the war’s impact on capital and commodity imports from Europe and proclaimed the need for a shift in perspective amongst the country’s producers and shippers who should be preparing themselves to handle the impending growth in exports to the warring countries. In addition to supplying to Europe, the article argued that war could break open the heavy walls that had long restricted Japanese exports to China. Japanese monopoly capital and its spokesmen eyed the conflict in its opening moments as an opportunity to gain a foothold in markets that had long been monopolised by European powers. The article concluded by emphasising that the opportunity could be seized even more definitively through direct entry into the conflict, as victory would ensure that routes and markets that were opened up would

1 The paper was originally known as Chūgai Bukka Shimpō, which the founder of the Mitsui Trading Company, Masuda Takashi, established in 1876. The paper was renamed the Nihon Keizai Shimbun immediately after Japan’s surrender in World War II.
be protected after its conclusion.\(^2\) Japan's own wars in the preceding decades had enabled the development of Mitsui into a full-fledged concern, and the Chūgai Shōgyō Shimpō wanted to make sure a new opportunity for growth would not be thwarted by those who insisted on non-involvement.\(^3\) Mitsui and its fellow monopoly capitalists understood full well in 1914 what Lenin outlined in his *Imperialism: The Highest Stage of Capitalism* in 1916 – that in the age of ‘modern monopolist capitalism’ only the possession of colonies could guarantee the super-profits, supplies of raw materials and secure markets that were necessary for victory against the competition.\(^4\) Japanese concerns like Mitsui, Mitsubishi, Sumitomo, Yasuda and Daiichi already enjoyed a dominant position in the economy by the eve of the war by establishing monopolies in finance, shipping, trade, steel, mining and railways after the financial panic of 1907, but found their desires for further expansion severely limited by the fact that European powers had already carved up the world into their own colonial possessions and spheres of influence. They felt most acutely Lenin's observation that repartitioning was the only way that they could continue their parasitic ways. The outbreak of war in Europe seemed a perfect opportunity to begin a re-division of the world to their advantage.

The Terauchi cabinet, which was also enthusiastic about the economic windfall that limited participation in the war could bring, commenced communications with the British Foreign Secretary Sir Edward Grey to negotiate entry into the conflict. Terauchi, who urged the hesitant Grey to invoke the 1902 Anglo-Japanese Alliance to formally request Japan's entry into the war, secured a rather tepid invitation following two weeks of persistent prodding. The arrangement that resulted required Terauchi to promise that upon entry, the Japanese military would not disrupt German possessions in the South Seas and would refrain from engaging in any acts of territorial aggrandisement in China.\(^5\) His cabinet accepted these terms and declared war on Germany.

\(^2\) The article’s main concern was the United States, which the author believed was also poised to take advantage of the commercial and trade vacuum.

\(^3\) See Morikawa 1970 for more on zaibatsu formation in English. In Japanese, see Matsumoto 1979 and Yasuoka 1982.

\(^4\) See the section, ‘Division of the World among the Great Powers’ in Lenin 1968.

\(^5\) Japan entered the war by forcing the reluctant British to honour their hasty request for Japanese naval assistance in the East China Sea on 7 August 1918. By the time the British realised that they had miscalculated the German naval forces’ capacity and intentions in the region, it was too late to withdraw the request. During the weeks between 9 August and Japan's formal declaration of war against Germany on 23 August 1914, the two governments negotiated and tried to come to an agreement that would be acceptable to each regarding the scope of involvement in the conflict. Peattie 1992 describes these negotiations and competing concerns in detail.