234_3904

UBCHEA ARCHIVES
COLLEGE FILES
RG 11

Nanking
Periodical publications
Bulletin on China's Foreign Relations
1934-1935

2 3 4 3 9 0 4

0747

ASSOCIATED
BOARDS

BULLETIN

ON

CHINA'S FOREIGN RELATIONS

(AND PUBLIC EVENTS IN THE FAR EAST)

Table of Contents

1. Mrs. Pearl S. Buck's Observations on International Relations

2. China and the League of Nations in 1933 - - - - - K. M. Tsu

3. China's Foreign Relations in 1933 - - - - - - - - K. T. Wu

4. Moscow Reviews Its Foreign Policy: A Contrast with Japanese Program - - - - - - - - - - - - - W. H. Ma

5. Looking Backward - - - - - - - - - - - - - - S. T. Wang

6. Chronology of Sino-Japanese Relations in 1933- - - - H. Y .Lu

Vol. II, No. I. *January 15, 1934*

PUBLISHED MONTHLY BY

THE INTERNATIONAL RELATIONS CLUB

NANKING, CHINA

(ADDRESS: UNIVERSITY OF NANKING, NANKING)

2 3 4 3 9 0 4

0748

MRS. PEARL S. BUCK'S OBSERVATIONS ON INTERNATIONAL RELATIONS

Foreign policy in the old days was a very simple part of any nation's life, and needed very little complicated machinery of thought or men. A nation was either on friendly terms with another, in which case the two lived together in the peace of a truce or a treaty, or they were not friendly, in which case they carried on war. Before steamers and airplanes and trains made the world one, foreign diplomats were simply those few persons who were chosen to represent their various governments. Especially was this true of those nations who were large and self-sufficient or who were geographically isolated enough not to have close neighbors. The diplomatic history fo those days and such nations is simply the history of a number of wars or of a number of truces.

But today foreign policies are made by others than by governments, and there are many diplomats who do not represent their governments officially. Foreign policies, the most effective and actual of foreign policies, are in fact not those which are formally expressed, and they now far outrun all treaties and formalities. The recognized policies, indeed, of nations have not at all kept up with the quickly increasing intimacy of life between peoples which rapid communications have given the world. The real foreign policies are those which these peoples, brought into life together, formulate for themselves and these policies are often far more actually important than international documents which carry an official stamp.

All sorts of extra-official bodies are creating foreign policies in the world today. In China there are scientific groups in foreign countries working with Chinese groups, and in the same way, educational groups, religious groups, and many others interested chiefly in arts and literature cooperate together. Each of them in accordance with its own particular need and circumstance formulates some sort of foreign policy.

But it is not even these which today carry the most weight in the world. More than governments, more than any organized body in the world, the free individual in any country is the chief formulator and expositor of foreign policy. The private citizen of one country in his behavior to the private citizen of another carries on his own shoulders a tremendous weight of responsibility, - - responsibility for the future good-will of races to each other. Whole sections of country in the United States, for instance, like or dislike an Oriental people wholly in relation to whether or not the one or two or three Orientals, who may have been laundrymen or business men or students or what not, who have lived in that district, have been worthy of like or dislike. I remember last year in America hearing a woman who was in her way a leader of many women in her town, speak kindly always of all Chinese because in her childhood her parents had found an old Chinese laundryman always kind and honest, and she at Christmas had always been delighted by some little Chinese toy he gave her. That he was of a humble station was nothing to them, for in that station he was self-respecting and honorable. Similarly I found communities who disliked all Orientals because of some unfortunate Oriental who had lived among them.

Certainly the same principle is true in China, as every foreigner knows. Whenever a foreigner goes into an interior region in China he knows very well that the way the people treat him depends entirely on what sort of foreigner they have previously known.

As individuals, therefore, and representatives of our respective races and nations, the *real* foreign policies of peoples are shaped by us, and governments have little to do with it. I say this, and yet immediately I hasten to qualify it. It is true that governments cannot alone create vital foreign policy. They cannot, for instance, declare a war effectively unless they have prepared the people to the proper point of hatred and resentment necessary for taking part in the war. Again the individuals must have a sufficiently clear foreign policy of their own toward other individuals to make even a formal policy actual. But governments can and do insinuate into people ideas which will result in the policies they desire. Let me illustrate. The other day in the streets of Nanking a young boy on his way home from school called me, as a foreigner, a certain unpleasant name. I did not mind, having often been called this name, but I wanted information as to why he felt impelled to shout an insulting epithet at a foreigner he did not know. I stopped, therefore, and the following conversation took place.

I: Do you and I know each other?
He: (Silence, but at last a shake of the head.)
I: Do you know my name?
He: (In a small voice) No.
I: Do you think I am a person of evil temper?
He: (Silence and great embarrassment)
I: Come, let us be frank and friendly. I like you, I like your looks. You look a clever boy. I hear so many school children call names after foreigners. You don't like us. Why?
He: (after a silence) Because foreigners cheat us.
I: Do you know any foreigners?
He: No.
I: Then what makes you think we cheat you?
He: It says so in my history book.

Now I do not for an instant mean to suggest that such a case is peculiar to any country or people. Text books in all countries are used to educate for a certain kind of nationalism. I only suggest this is an illustration of the way individuals in any country are shaped to express a certain policy toward other peoples. All the friendly treaties in the world between governments will not avail if individuals are meanwhile being educated in a different policy. Where hatred and dislike are being taught, preparation is being made for future warlike foreign policies.

In these two main ways, therefore, the future foreign policies of the world are being made; through contact of individuals of different nations and through education of nationals in their own country. It is essential, if statesmen are wise, that they watch these two sources, for upon them depends the future international relations of the world.

CHINA AND THE LEAGUE OF NATIONS IN 1933.

K. M. Tsu, Ph.D. (徐國懋)

Professor of Political Science, Ginling College.

The activities of the League of Nations in 1933 in relation to China were marked by the unsuccessful attempt to effect a settlement of the Sino-Japanese dispute and the extension of technical collaboration on a larger scale than ever before. This paper will explain in brief these outstanding events.

As regards the settlement of the Sino-Japanese imbroglio by the League of Nations ever since its inception on September 18, 1931, even the ardent supporters of the League have to admit that the League has failed in bringing about a settlement of the dispute. In the words of Prof. Rappard, of the three failures of the League, namely the Sino-Japanese dispute, disarmament, and the Economic Conference, that of the settlement of the Sino-Japanese conflict is perhaps the most serious in itself and the most far-reaching in its repercussions, as it is certainly the most spectacular. The open breach of the Covenant and two other international treaties by a state permanently represented on the Council, and the aggression of Japan upon a neighboring state followed by the military occupation on a large scale of the four northeastern provinces of China have dealt a fatal and crushing blow to the structure of the League, to its prestige and to its raison d'etre in the eyes of the world.

The League in 1933 continued in its attempt to reach a settlement of the Sino-Japanese dispute. When the Special Committee of the extraordinary session of the Assembly met again on January 16 to discuss measures to be taken with reference to the Sino-Japanese dispute, the Japanese on January 18 agreed to accept the two draft resolutions and a statement of reasons submitted by the Special Committee on December 15, 1932, to the two parties with one objection, namely, the inclusion of representatives of States non-Members of the League. The first draft resolution makes clear the duty of the League to endeavour to effect a settlement of the dispute, lays down the principles for the settlement of the dispute, emphasizes the necessity to respect the Covenant of the League, the Pact of Paris, and the Nine-Power Treaty and invites the Governments of the United States of America and the U.S.S.R. to take part in these negotiations. The second draft resolution voices appreciation and thanks to the Commission of Inquiry for their valuable and unbiased report. In the statement of reasons, the Assembly requested the Special Committee to study the report of the Commission of Inquiry, the observations of the parties, and the opinions and suggestions expressed in the Assembly, to draw up proposals with a view to the settlement of the dispute brought before it, and to submit these proposals to the Assembly at the earliest possible moment. But three days later, the Japanese informed the Special Committee that the draft resolutions which they accepted with one condition would now not be acceptable to them even if their objection were eliminated. In view of the new development brought about by the Japanese sudden change of attitude, the Committee admitted its failure to effect a settlement of the dispute and concluded that it was impossible to draw any resolution acceptable to the parties concerned. It, therefore, went ahead to begin the preparation of the draft report stating the facts of the dispute and the recommendations for a settlement. In further defiance of the League's attempt at conciliation, the Japanese Government proposed that the maintenance and recognition of "Manchukuo" constituted the sole guarantee of peace in the Far East and that the question would finally be settled on that basis between Japan and China. The Japanese proposal being inacceptable, the Committee worked out a draft report and submitted to the Assembly for adoption. The Assembly met on February 21 and unanimously adopted the report, excepting Japan and Siam. Japan objected to the report and Siam abstained from the voting. On the opening of the Assembly, the President, M. Paul Hymans, made an important declaration which deserves to be quoted in extenso :

> "Since September 21st, 1931, first the Council and then the Assembly have endeavoured to settle the dispute in agreement with the parties, in accordance with the articles of the Covenant in virtue of which the matter was referred to them. For exactly seventeen months the efforts at conciliation have been pursued. At the outset of the dispute, the Council received an assurance that the withdrawal of the Japanese troops into the zone of the South Manchurian Railway, which had already been begun, would be pursued as rapidly as possible in proportion as the safety of the lives and property of Japanese nationals was effectively assured, and that Japan hoped to carry out this intention in full as speedily as possible.
>
> "To-day, the Three Eastern Provinces are occupied; Japanese troops have crossed the Great Wall and attacked Shanhaikwan; it is announced that operations are being prepared for the occupation of the province of Jehol.
>
> "The procedure of conciliation is, of course, not yet closed. It cannot be formally closed until the adoption by the Assembly of the report provided for in Article 15, paragraph 4, of the Covenant. I hesitate, however, to make a new appeal with a view to conciliation, for it would be necessary not only that fresh proposals which the Assembly would accept should be made to it, but also that it should receive an assurance that the existing situation would not be aggravated and that no fresh military operations would be undertaken."

Before adjournment, the Assembly adopted on February 25 a resolution to appoint an Advisory Committee to follow the situation and to invite the Governments of the United States of America and the U.S.S.R. to take part in its work. The replies from the two Governments differed. The U.S.S.R. Government refused to participate in the Committee for the

reasons that the Soviet Union, not being a Member of the League of Nations, could have no influence on the decisions of the Assembly and that the majority of the States forming part of the Advisory Committee were not maintaining relations with the Soviet Union. The United States Government, however, replied on March 11 that it was prepared to cooperate with the Advisory Committee, but reserved independence of judgment with regard to proposals which might be made and action which it might recommend.

The Advisory Committee met on March 15 and discussed the question of the export of arms in its relation to the situation in the Far East, and the non-recognition of the present situation in Manchuria de facto or de jure. The verdict of the League being unanimously against Japan and against the measure she has taken in the settlement of her dispute with China, the Japanese Government on March 27 in a telegram addressed to the Secretary-General gave the preliminary notice of her intention to withdraw from the League contemplated in the provisions of Article I, paragraph 3, of the Covenant, which will become effective two years from the date of her notice of withdrawal. The withdrawal of Japan from the League seemed to have weakened its influence and lowered its prestige. But the League did not surrender in face of the threat and has been carrying on its work even at the sacrifice of a permanent member on the Council. It has adopted measures more drastic and daring against Japan. On June, 7, the Advisory Committee issued a circular to the Governments of Members of the League of Nations and of those non-Member States closely concerned with the Sino-Japanese dispute concerning the non-recognition of "Manchukuo". It urged the governments to take certain measures relating to the questions of participation of the present government of Manchuria in international conventions, postal services and stamps, international non-recognition of the currency of Manchukuo, acceptance by foreigners of concessions or appointments in Manchuria, passports, position of consuls, and the application of the import and export certificate system under the Geneva Opium Convention (1925) and the Limitation Convention (1931).

From the foregoing account, it is manifest that the League has not been able to bring Japan to terms, nor has it succeeded in stopping Japan from taking further military aggression in China. What it has succeeded is a resolution to the effect that the Powers were not to recognize the present situation in Manchuria arising from Japanese military action. To what extent will the principle of non-recognition help in the settlement of the Sino-Japanese dispute is highly problematical. The Japanese defiance of the Covenants of the League and their challenge to the League authority has undoubtedly had a bad effect upon the prestige of this international mechanism and will give rise to mutual fear and distrustfulness.

In the light of the good work the League has extended to Austria and Hungary in the rehabilitation of their financial conditions shortly after the world war, the Chinese Government has likewise solicited the League for technical assistance in the programme of her national reconstruction and development. The beginning of the programme of cooperation was made in matters of public health as early as 1922, but it was not taken up in all seriousness and on a grand scale until after the establishement of the Government at Nanking. D. Ludwig Rajchman, Director of the Health Section of the League Secretariat, was invited in January, 1929, to come to Nanking as soon as possible to discuss plans for co-operation. Official correspondence followed and resulted in a telegraphic request being addressed to the Secretary-General of the League by the Foreign Minister of China on September 14, 1929, for the "despatch of a sanitary mission from the Health Organization of the League to make a survey on port health and maritime quarantine." Upon the heels of the League's Health Director came Sir Arthur Salter, the Director of the Financial and Economic Organizations, and Mr. Robert Haas, the Director of the Transit and Communications Organization. The visit of and conversations with the three Directors in China resulted in the creation by the Chinese Government of a National Economic Council for planning and coordinating various schemes of national reconstruction. Thereafter, the League has sent several expeditions to China and cooperated in the fields of education, highways, hydraulic engineering, agriculture, public health, and civil service administration and reorganization. Some experts were sent to China at the League's expense; others were appointed by the Chinese Government on the recommendation of the Secretary-General.

Mr. T.V. Soong's visit to Europe last summer and his personal contact with the League authorities brought still more closely the technical collaboration between China and the League. On June 28, the Chinese Government issued a communication, recalling the circumstances in which technical co-operation between the League of Nations and the Chinese National Economic Council had been initiated and continued for the past two years, and requesting the appointment of a technical agent to maintain liaison between China and the League. It explained this request by its decision to undertake a scheme of national reconstruction in certain provinces to be selected as models. At the Council's meeting, the Chinese representative explained the desire of the Chinese Government to continue the arrangement and to invite a specialist to promote and facilitate technical co-operation. The liaison officer would also assist the National Economic Council in coordinating the activities of the various experts engaged by the Chinese Government and now at work in China.

In compliance with this request, the Council appointed a Committee to take the necessary action regarding the question of technical collaboration. This committee consisted of the President of the Council, the Mexican representative, and the representatives of China, Czechoslovakia, France, Germany, Italy, Norway, Spain, and the United Kingdom and also an unofficial observer from the United States Government. The Committee met in Paris on July 18, and decided to appoint for one year Dr. L. Rajchman as technical agent to maintain liaison between the Chinese Government and the competent organs of the League, and emphasized that the co-operation contemplated was to

be of an exclusively technical character. Dr. Rajchman came to China in the middle of October and is now assisting the National Economic Council in the plans for national reconstruction and development.

CHINA'S FOREIGN RELATIONS IN 1933

K. T. Wu (吳光清)

Librarian of Ginling College

The year 1933 has been a critical and momentous year for China in the annals of her foreign relations of which the Sino-Japanese conflict stood out most conspicuously as compared with other events of international importance. Another province has been added to the list of China's lost territories. Next in importance to Sino-Japanese relations was perhaps the contract of G. $50,000,000 commodity loan from the United States. The trip of Mr. T. V. Soong, the former Finance Minister, to Europe and the United States left a favorable impression in all the nations he visited. All these outstanding events are probably too familiar to warrant reiteration here. However, in this panoramic survey we hope to take stock of the salient points of China's foreign relations in the past so as to refresh the memory of our readers.

Sino-Japanese relations. Continuing her agression, Japan began the year by opening her drive on Shanhaikan, just inside the Great Wall on the coast of Gulf Pechihli, and occupied the city on Jan. 3, after terrific fighting. Overwhelmed by the sheer weight of armaments, the Chinese soldiers dispalyed heroism in defending the city when they clung to their positions in face of intense bombardment from sea, land, and air. It goes without saying that the Japanese militarists selected this opportune moment to carry out their premediated plan. Thus by a surprise attack they took possession of the most strategic point south of the Great Wall bordering the northeastern provinces. On Jan. 10, the Japanese occupied Chiumenkou Pass in the Great Wall, an imporant gateway to Jehol province. Interviewed by the Kuo Min news Ageney, Mr. T. V. Soong, then Acting President of the Executive Yuan, said on Jan. 3:

> "The two live bombs 'discovered' in a Japanese gendarmerie station at Shanhaikwan, which is the pretext for the latest Japanese drive in the North, may go down to history alongside with the mythical explosion on the South Manchuria Railway tracks on the fateful night of Sept. 18, 1931.
>
> "It is not difficult to divine the motives of this drive. Jehol, the gateway of North China and Mongolia, has been long coveted by Japanese militarist, but as an attack on that mountainous province in mid-winter presents difficult problems, it is hoped that pressure on Tientsin and Peiping through Shanhaikwan might result in its surrender without serious fighting.
>
> "Thus at the beginning of 1933, as at the beginning of 1932, the shadow of Japanese militarism casts a gloom over a world desperately in need of peace. The Chinese people, which is in the throes of re-adjustment to modern conditions is ill prepared to resist the powerful military machine of Japan. But the country will, I am sure, meet the menace with the same courage, and fortitude as it had shown in the year just gone by."

Unfortunately, Mr. Soong's prediction of Japan's ambition toward Jehol was ralized in March, when the Japanese troops occupied Chengteh, the capital of the province, on the 4th., with very little resistance by Tang Yu-ling, who was entrusted with the defence of the city but who deserted it on the previous day.

On May 15, Luanchow, an important city on the Luan River to the east of Tangshan city, was captured by the Japanese, thus increasing the tension at Tientsin. A week later it was announced in Peiping that temporary truce agreement had been reached between Chinese and Japanese military authorities providing for the cessation of hostilities. Thereupon the Japanese halted advance and danger of imminent capture of Peiping-Tientsin area was removed. The truce agreement was formally signed at Tangku on May 31 by General Okamura for the Japanese and General Hsiung Pin for the Chinese.

The following was reported to be the terms of the agreement:

1. The Chinese troops will completely withdraw to the west and south of a line connecting Yenching, Changping, Kaolimen, Shunyi, Tungchow, Hsiangho, Paoti, Lintingchen, Ningho, and Lutai. They undertake not to advance beyond this line and will abstain from all provocative and disturbing acts in future.

2. In order to confirm the execution of the provisions Art. 1 of this agreement, the Japanese troops may at any time observe the area by airplanes or other methods, to which the Chinese official quarters will furnish the various necessary facilities and give proper protection.

3. When the Japanese troops have confirmed the fulfilment by the Chinese of the provisions of Art. 1 the Japanese troops will refrain from pursuing the Chinese troops beyond the line demarcated and will voluntarily withdraw as far north as the Great Wall.

4. The maintenance of peace and order in the area south of the Great Wall and north and east of the line beyond which the Chinese will not advance will be undertaken by the Chinese police force.

5. The present agreement will come into force immediately after signature.

Granted that no political questions were discussed at the conference, the creation of a neutral or buffer zone south of the Great Wall meant that the Chinese troops will find their hands tied in the attempts to recover Manchuria and Jehol by force of arms. It also meant that by creating such a zone binding Chinese troops not to enter 450,000 square miles of China's own territory the Japanese have gone a step further in strengthening their position in China.

In Oct., Mr. A. Ariyoshi, Japanese Minister to China, arrived at Peiping from Shanghai and began negotiations with Gen. Hwang Fu, Chairman of the Peiping Political Affairs Readjustment Committee, and Gen. Ho Ying-ching, chairman of Peiping Military Affairs Commission, on the Sino-Japanese diplomatic problem. The negotiations were reported to have included the following points:

1. Japanese navigation of the Luan River.

2. Reestablishment of postal relations between North China and "Manchukuo".

3. Reestablishment of through railway traffic between Peiping, Tientsin and Mukden, with an interchange of Chinese and "Manchukuo" guards at Shanhaikwan.

4. Demarcation of a boundary between North China and "Manchukuo" including the joint control of the passes in the Great Wall.

5. Reestablishment of land communication through the reopening of the various motor-roads between Peiping and Jehol.

6. Establishment of Chinese and "Manchukuo" Customs Stations along the Great Wall.

7. Joint cooperation between China and "Manchukuo" in the maintenance of peace and order in the so-called demilitarized zone between Peiping-Tientsin and the Great Wall.

Some of the above provision implied China's recognition of the puppet state. Owing to strong opposition from all quarters of the nation, all negotations between Chinese and Japanese military representatives in Peiping had been suspended upon order of the National Government.

The handing back of Shanhaikwan city had been repeatedly delayed on one pretext or another. Reports from the North seemed to indicate that Japan's aggression is still in the working. Her belligerent actions in Charhar have been a constant worry to the Chinese authorities. Toward the end of the year it was reported that the new Japanese invasion of Eastern Charhar was based on the pretext of prolongation of the demilitarized line, and aimed at the occupation of Kuyuan, Shacheng and Chihcheng in the province so as to facilitate transportation in the event of a Russo-Japanese war. Political observers cannot but hold the view that Japan is plotting fresh designs to aim at the future conquest of North China as a step towards the subjugation of the country as a whole.

Sino-American relations. Traditional friendship was maintained between China and the United States throughout the year. It will be remembered that the United States, ever since the Sino-Japanese dispute, pursued a fixed policy of endeavoring to secure the open door and equal commercial rights for all nations in China, and the maintenance of the integrity and sovereign independence of China. Before he assumed presidency, Roosevelt, on Jan. 18, issued a statement that he was willing to make it clear that American foreign policy must uphold the sanctity of international treaties. Likewise, Senator Hull, the Secretary of State, confirmed the continuity of American policy by issuing a further declaration wherein he stated, "There should be no laxity on the part of this or any other nation in the matter of observance of both letter and spirit of treaties and international good faith."

Mr. T. V. Soong's trip to the United States greatly strengthened the bond of friendship between the two republics. On May 19 a joint statement was issued by president Roosevelt and Mr. Soong in which reference was made to disarmament, peace in the Far East and the silver question.

> "At the conclusion of our conversation, we note with profound gratification that we are in agreement in regard to the practical measures, which must be taken for a solution of the major problems which today confront the world. We agree that economic stability cannot be achieved without political tranquility and that economic disarmament can be attained only in a world in which military disarmament is possible. It is our ardent hope that peace may be assured and that to this end practical measures of disarmament may soon be adopted. In this connection, our thoughts naturally have turned to the serious developments in the Far East which have disturbed the peace of the world during past two years. There the military forces of the two great nations have been engaged in destructive hostilities. We trust that these hostilities may soon cease in order that the present effort of all the nations of the world to reestablish political and economic peace may succeed.
>
> "We are in entire agreement that present unreasonable obstacles to international trade must be removed and that the present financial and monetary chaos must be replaced by order. In this connection, we consider it essential that the price of silver, the great medium of exchange of the East, should be enhanced and stabilized. We are in the closest agreement as to many other measure which must be adopted for the rehabilitation of the economic life of China and of the World Economic Conference as well as the problems of the Disarmanent Conference with the determination necessary to bring their labors to success.

Another achievement to Mr. Soong's credit was the conclusion of a loan agreement of G. $50,000,000 signed on June 4 by Mr. Jesse H. Jones, President of the U. S. Reconstruction Finance Corporation and the former Chinese Finance Minister. The loan will run for a period of three years with five per cent interest. It will be expended for the purchase of American cotton and wheat for consumption in China. While China is greatly in need of both cotton and wheat and America has a surplus of both, it was predicted that the loan would have a stimulating effect on Sino-American trade.

Sino-British relations. The relation between

Great Britain and China on the whole has been cordial in the past year. During the early stages of the Sino-Japanese controversy, the British government pursued a policy of impartiality and justice which was essentially correct. That this was so was fully borne out by the unbiased and faithful report of the Lytton Commission, headed by the former Governor of Bengal, the Earl of Lytton. Later despatches from Geneva, however, indicated that the British government changed its policy vis-a-vis the Manchuriam crisis. The utterances of Sir John Simon, British Secretary of Foreign Affairs, before the League of Nations Assembly, gave rise to much misunderstanding in China as tinged with a pro-Japanese tendency. With its overwheling Tory majority the British government began to take a passive attitude toward Japan's imperialistic policy.

On Feb. 27 Sir John Simon made the announcement that Great Britain had imposed an embargo on shipments of munitions to both China and Japan. This action provoked much criticism from China as well as other circles since the net effect of the British embargo would be to curtail China's efforts to stave off the Japanese attack, and, moreover, the action treated the guilty and the innocent on the same basis. Consequently, realizing the fallacy of the embargo, the British government later withdrew the action. Fortunately, as events later developed, British attitude toward China changed for the better, due apparently to the influence of the Labor and Liberal parties.

The view of the enlightened Britisher can be best summarized perhaps by the parting words of the former British Minister to China, Sir Miles Lampson, who, shortly before his departure from China to assume his new post as High Commissioner of Egypt, issued on Dec. 6, the following farewell message to the Chinese nation:

"After seven years as British Minister to China, I leave this country and my many friends, Chinese and foreign, with the deepest regret.

"I shall always follow the fortunes of the Chinese people with close attention and the most friendly interest.

"Much has happened in the intervening years since my first arrival in China as British Minister on Nov. 30, 1926, and it must be a source of gratification to all of us that relations between China and Great Britain are now on such a satisfactory footing due to the good will, frankness and understanding on both sides.

"The Chinese people have gone through difficult times during the past two decades, but the manner in which they have surmounted these difficulties is a sure sign of immense vitality and resource.

"Although the immediate future may still be uncertain and obscure, I am nevertheless convinced that in the long run they will be successful in their task of constructing a modern Chinese state.

"Unity, stability and reconstruction should be the watchwords in China today, and the sooner real unity can be achieved, the sooner will stability be attained and reconstruction completed, thus enabling China to become strong and prosperous and to take her due place amongst the great nations of the world.

"This is not only the wish of my countrymen and my personal hope, but it is also the fundamental British policy in the Far East."

With the appointment of Hon. Alexander George Mortagu Cadogan, Counsellor of Embassy in the Diplomatic Service, as successor to Sir Miles Lampson, it was anticipated that a warm welcome would be accorded to him. It is hoped that he will pursue the same policy of his predecessor for good will and co-operation which will further cement the friendly ties between China and Great Britain.

Sino-Russian relations It will be remembered that on Dec. 12, 1932, the resumption of diplomatic relations between China and Soviet Russia was announced. Dr. W. W. Yen, the new Chinese Ambassador to Soviet Russia, left for Moscow to assume his new post after the adjournment of the Committee of Nineteen of the League Assembly at Geneva. The arrival of M. Dmitri Bogomoloff, Soviet Ambassador to China, on April 23 in Shanghai gave rise to many hopeful signs in opening a new era of friendship and cooperation. A warm welcome was accorded to him. On May 2 he presented his credentials to Mr. Lin Sen, Chairman of the National Government, at a ceremony held at the National Government office. In the course of presenting his credentials, M. Bogomoloff said that the Soviet Union had always remained true to the policy of friendship based on complete equality and thorough respect for the rights and interests of the Chinese people and that sympathy was felt for the Chinese in their efforts of economic and political development.

As later events developed what was a pleasant beginning of Sino-Russian friendship was marked by the Soviet's Chinese Eastern Railway deal. In May it was reported that the Soviet Foreign Affairs Commissar, M. Litvinoff, offered the sale of the Chinese Eastern Railway to Japan or to "Manchukuo" for 300,000,000 gold roubles. China immediately made representations to the Soviet government that the sale of the railway would be illegal and incompatible with the rights of the Soviet Agreement of March 31, 1924 and the Mukden-Soviet Agreement of Sept. 20, 1924. Although the proposed sale did not materialize it brought an unfavorable influence in the newly re-established relations between China and Russia.

Incidentally, before we dismiss the survey on Sino-Russian relations in 1933 it may be added that Far Eastern considerations provided the chief motive for the resumption of normal diplomatic relations in November between the United States and Soviet Russia. Only time will reveal to what extent will this move affect the Sino-Japanese tension.

Sino-French relations. An event of paramount importance in Sino-French relations in 1933 was the French proclamation in the Official Gazette on July 25 of the occupation of Nine Islands between Indo-China, Borneo, and the Philippines, which have been used as fishing bases by Chinese fishermen and are of importence for strategic and commercial reasons. The explanation which the French Government offered was that the taking over of the group of Nine Islands in the South China Sea was accompanied with no imperialistic design but was for the improvement of hydrographic work and organization of a system of navigation lights in a very dangerous region.

The Chinese government protested, but of no avail. Likewise Japan protested and produced evidence to show that she has possession of them. The issue thus developed into a Sino-Franco-Japanese dispute.

In this year Sino-French relations was marked also by the conclusion of a commercial agreement re. Annam.

China and the League. Elsewhere in this issue appears a résumé of the relations between China and the League during the past year. It seems superfluous to repeat the activities of the League in connection with China in this brief survey. Suffice it to mention that the League, in spite of its feeble attempts, tried its best to liquidate the Sino-Japanese controversy to the best of its ability. Even though its mission regarding Manchurian trouble proved ineffective, the League in the course of 1933 enlarged its scope of activities in China in the way of technical assistance.

Regarding the Manchurian question, the Committee of Nineteen unaminously agreed to the non-recognition of "Manchukuo". The highlights of the report of the Committee of Nineteen, constituted by the League of Nations to investigate the Sino-Japanese dispute, published on Feb. 17, were as follows:

"In view of the special circumstances of the case, the recommendations made do not provide for a mere return to the *status quo* existing before Sept. 1931. They likewise exclude the maintenance and recognition of the existing regime in Manchuria, such maintenance and recognition being incompatible with the fundamental principles of existing international obligations and with the good understanding between the two countries on which peace in the Far East depends.

"It follows that in adopting the present report the members of the League intend to abstain, particularly as regards the existing regime in Manchuria, from any act which might prejudice or delay the carrying out of the recommendations of the said report. They will continue not to recognise the regime, either *de jure* or *de facto*. They intend to abstain from taking any isolated action with regard to the situation in Manchuria and to continue to concert their action among themselves, as well as with the interested states not members of the League..."

The vigorous stand taken by the League as evidenced by the report of the Committee of Nineteen was attributed to the following reasons. First, Hitler's rise of power in Germany, which reenforced France's advocacy of the sanctity of treaties; second, the Japanese activities in Shanhaikwan, which threatened British vested interests in that area; and third, President-elect Roosevelt's stand and assurance of cooperation.

Another event that characterized the close relation between China and the League was the League cooperation with China in technical planning and the loan of experts. The official communique of the Council of the League of Nations stated in this connection that "the Committee agreed to a resolution which emphasized that the guiding principle of cooperation should be that it is entirely technical, impartial and non-political and administered on broadest international basis." Dr. Louis Rajchman was appointed as the League's liaison officer to coordinate the technical advisory work to be carried out under the auspices of the League of Nations. Besides Dr. Rajchman many other noted specialists have already done creditable work in all fields of reconstruction in China. It is but natural that Japan looked askance and voiced her objection toward the cooperation movement.

International conferences. In the field of international conferences, China participated in the Disarmament talk at Geneva where Dr. Wellington Koo, the Chinese delegate, declared that China could scarcely disarm as long as the present unhappy situation in which she is involved continues. In the Washington conversation regarding world economic issues, Mr. T. V. Soong participated as China's representative. The conversations which Mr. Soong had with President Roosevelt and Secretary Hull were very satisfactory. Again Mr. Soong together with Dr. W. W. Yen, Chinese Ambassador to Moscow, and Mr. Quo Tai-chi, Chinese Minister to Great Britain, represented China in the World Economic Conference which was opened in London on June 12. In this conference Mr. Soong asked for world aid in developing China and expressed the idea that China entered the conference with an earnest desire to cooperate with the rest of the world in securing a lasting solution of the world economic crisis. China was also represented in the 14th Session of the League of Nations Assembly held in Geneva, the International Press Conference in Madrid, Spain, the Tenth annual International Postal Conference in Cairo, Egypt, and many other conferences of international importance.

In reviewing China's foreign relations in 1933, one cannot but conclude that, with only one exception, China's relations with other states became iucreasingly friendly. It should be the guiding principle for China's future diplomacy that any nation which threatens to endanger the welfare of the Chinese nation by force should be regarded as an enemy, while friendly relations should by cultivated and maintained with other nations, although China should by no means rely upon other powers, however friendly they are, to solve her own problems and to set her own house in order. This is a bitter lesson which China has learned in the past year. China should strive for her own salvation which is hinged, according to President Wang Ching-wei of the Executive Yuan, on unity and construction. By working feverishly on these two modest aims can she hope to assume her proper role in the family of nations. With a strong, united front, China can proceed to prosecute her foreign policy with confidence. She should aim at the legitimate redress of her past wrongs and at

the same time cultivate the friendship of nations which have no imperialistic designs on China.

On the side of friendly powers, it is hoped that they will show a sympathetic attitude toward and moral support in China's struggle for national reconstruction so that she might return to the path of peace and prosperity.

MOSCOW REVIEWS ITS FOREIGN POLICY: A CONTRAST WITH JAPANESE PROGRAM

W. H. Ma (馬文煥)

Professor of International Relations

University of Nanking

In concluding the year's work, the executive leaders of the Soviet Government, on December 28th and 29th, 1933, made a report to the Union Central Executive Committee in which the diplomatic situation of the U. S. S. R. was surveyed. Important developments of Soviet foreign policy were outlined in the speeches of Joseph Stalin, M. Molotov, and M. Litvinoff. All of them who have shown great satisfaction over the diplomatic successes achieved by Russia during 1933 have emphasized the fact that Japan's aggressive policy constitutes a real danger to the Soviet Union as well as to the world. In the following pages, the foreign relations of the Soviet Union and Japan will be respectively described.

The year 1933 was one in which the Soviet Government, particularly M. Litvinoff, Soviet Foreign Minister, achieved for the Union a series of splendid diplomatic successes, crowned with the resumption of Russo-American diplomatic relations. In December, 1932, Dr. W. W. Yen and M. Litvinoff, held a short conference at Geneva which resulted in the restoration of Sino-Russian diplomatic relations. In 1933, the U. S. S. R. had signed non-aggression pacts with Poland and France, both countries had been hostile to the Soviets. The establishment of the new friendship between Russia, on one hand, and Poland and France, on the other, was marked by satisfaction and joy in the government circles of the Soviet Union. M. Molotov, the chairman of the Council of People's Commissaries of the Soviet Union, in a speech before the plenary session of the Central Executive Committee on December 29th, made enthusiastic statements concerning Soviet diplomacy toward Poland and France.

M. Molotov declared: "The practical co-operation between the U. S. S. R. and France has been developing favorably. The visits of the most prominent French statesmen to the U. S. S. R., and the establishment of a closer business-like contact between representatives of both countries, tend to facilitate the development of this co-operation. We are sure that our co-operation with France has entered a new stage and has a good future."

Regarding Poland, he said; "I must also note the existence of new and more favorable conditions for the development of business and cultural connections between the U. S. S. R. and Poland. We attached and attach at present great political significance to this."

In the Disarmament Conference, M. Litvinoff urged the adoption of a definition of the term "aggressor?" As he could not succeed in securing action in this Conference, the Soviet Union concluded a number of pacts with her neighboring states, endorsing the Soviet version of an "aggressor." These states are: Poland, Finland, Esthonia, Lativia, Lithuania, Rumania, Czechoslovakia, Turkey, Persia, and Afghanistan. One may also bear in mind that in this year the Soviets concluded a pact of non-aggressoin, neutrality, and friendship with Italy. Russia also established diplomatic relations with Spain and Uraguay at the initiative of these two countries. The visit of the delegation of the Soviet Government, headed by M. Voroshilov, to Turkey on the occasion of the celebration of the tenth anniversary of the Turkish Republic, and the exceptionally warm welcome accorded to the delegation by Turkey, demonstrate the stablility and political significance of the relations between the U. S. S. R. and Turkey.

It is true that Soviet relations with Great Britain and Germany have been strained for some time, but already there are signs of improvement. The aggravation of Anglo-Soviet relations arosed in connection with the trial of the case of Metro-Vickers Wreckers, and was liquidated after a short time. "Normal trade negatiations." declared M. Molotov, "are carried on at present in London." In regard to Germany, he said that the Soviet Union still remained true to the principles of "Mutual desire for peace and for the development of economic relations."

M. Molotov is therefore quite justified in saying: "In our relations with all countries the Soviet Government has steadily carried out the tested principles of peace and policy of practical collaboration." He also summed up the peace policy of the U. S. S. R. in an eloquent style as follows:

"The problems of the struggle for consolidation of universal peace were, and still are occupying the centre of our attention. We have no doubt that the struggle for peace, the struggle against new imperialist wars meets the deepest wishes of the masses of peoples not only in the U. S. S. R., but in other countries as well. In the situation when elements tending to promote new imperialist wars constantly increase in international relations, when this mainfests itself in the facts of furious growth of armaments and war budgets, when direct preparations for new wars are proceeding in various places before everybody's eyes,—in this situation the Government of the Soviet set itself to the task of strengthening the struggle for peace by all means, despite the growing aggressive intentions of the ruling groups in some countries."

In contrast with the diplomatic and peaceful achievements in the Soviet Union, the Japanese military clique can take pride in their territorial and aggressive accomplishments. Facts speak louder than

mere statements. On New Year's Day 1933, the Japanese opened their drive on Shanhaikwan; and on January 3rd, they occupied this famous city which they had already reduced to ruins by three day's intense bombardment. On February 21st, the Japanese army officially launched a drive on Jehol by three routes, and by March 4th, they occupied Chengteh, the capital city of the province. In the months of April and May, the Japanese caused serious troubles in North China by capturing many cities in Luantung Area and in Charhar province and by attacking Chinese troops stationed at Kupeikow, and Hsifengkow. On May 31st, the Japanese military finally succeeded in persuading the Chinese delegates to sign a truce agreement at Tangku which virtually put an end to the hostilities between China and Japan which had lasted intermittently for twenty months. On June 6th, the Japanese war office announced that the total number of Japanese casualties in the Sino-Japanese "Undeclared War" between September 18, 1931 and May 31, 1933, was 11,380 persons, including officers and soldiers. Japanese estimated that Chinese losses run up to 222,000, including civilians. As a result of this war, the Japanese conquered from China four provinces, and after the Tangku Truce agreement they have assumed important control of the situation in North China.

Toward Soviet Russia, the Japanese policy in 1933 was no less violent. Japanese forces had spread along the entire Chinese Eastern Railway which was under the joint-control of Chinese and Russians. As soon as Generals Ma Chan-shan and Su Ping-wen were defeated and their troops were cleared out from North Manchuria, the Japanese started to make trouble with the Soviet authorities of the railway administration, in order to obtain complete control of it. On April 10, Manchukuo, with Japanese backing issued an ultimatum to the Soviet demanding the return to Manchuria of engines and rolling stock of Chinese Eastern Railway which the Soviets had withdrawn to the Siberian side of the border. When the Soviet Government rejected the ultimatum, Japan withdrew troops from Jehol front and transferred them to Harbin and Tsitsihar. In the meantime, the Japanese hurriedly completed their construction of the railways connecting Korea and South Manchuria with various points of the C. E. R., in order to paralyze the latter line with economic blockade. Both the Soviets and the Japanese charged each other with mobilizing troops along the border, and a military clash was feared. In connection with the peace policy of the Soviet Government, M. Maxim Litvinoff (Soviet Commissar of Foreign Affairs) announced on May 12 the Soviet Government's intention to sell the Chinese Eastern Railway to either Manchukuo or the Japanese Government. Beginning with July 26th, the Soviet, Japanese and Manchukuo delegates have held several conferences at Tokyo, and none of the parties has made enough concessions in the question of price, and no agreement seems possible at the present time. Nor have the Japanese foreign relations with the rest of the world been at all satisfactory. On February 6th, 1933, the League of Nations Committee of Nineteen voted not to recognize "Manchukuo" as an independent state, because it was created by the Japanese militarists at the expense of Chinese sovereignty. On March 27th, the Japanese Government officially withdrew her membership from the League of Nations. Japan has thus far maintained a defiant attitude toward all resolutions of the League, and she has not given a single satisfactory answer to the protest of the United States regarding Japan's violation of such great international treaties and agreements as the Open Door and the Kellogg-Briand Peace Pact. On the other hand, she has been quite outspoken in stating that in the naval disarmament conference of 1936 Japan will ask for naval parity with America. Although talks about a non-aggression pact between Japan and the United States were often reported, there is no indication that the relations of these two countries will be rapidly improved in the near future.

In contrasting the foreign relations and policies of the Soviet Union and Japan in 1933, one should not be led to believe that the former will permanently keep its peace policy in the Far East and wait until Japan advances into Siberia and annexes Soviet mairtime provinces. The Soviet Government has adopted a peace program at present, largely because it wants to devote all its time to economic development in Russia and to training a strong red army competent to meet the needs of modern warfare. Should the Japanese continue to pursue their aggressive policy we cannot be too optimistic that war can be avoided as it was in the past year. Judging from the statements made by M. Molotov, Joseph Stalin, and M. Litvinoff at the end of 1933, the dangers of conflict between the U. S. S. R. and Japan are quite real.

Complaining against the Japanese for circulating rumors about Soviet aggressive intentions, M. Molotov in his report to the Central Executive Committee, declared: "Aware of their growing isolation, the most reactionary Japanese military circles are particularly afraid of the establishment of a certain amount of cooperation of countries, like the U. S. S. R., the United States, and China, against those who incite the war in the Far East... They are terrified by the gigantic growth of the U.S.S.R. and, losing their self-assuredness, they ever more stubbornly assert, 'This is the most convenient time.'"

He also said: "All this (Japanese aggressive attitude) shows that we have no right to close our eyes to the danger of war and aggression. Is it necessary to state again what it means to us?"

Joseph Stalin, in an interview with a New York "Times" correspondent at Moscow, declared that Japan is a real danger to the Soviet Union. "There is a grave danger, we cannot but prepare to meet it."

M. Litvinoff thought that "the policy of Japan now constitutes the darkest thunder cloud on the international political horizon." With the beginning of Japanese military operations in Manchuria, the Soviet Government felt that their eastern frontier was not safe as it was before. M. Litvinoff expressed the feeling that "the more clam and patient we were, the more impudent and provocative became the actions of the Japanese authorities in Manchuria." He therefore gave a strong warning to the Soviet people when he

surveyed his foreign policy before the Union Central Executive Committee on December 30th, 1933: "Under the conditions of a forced self-defence we shall, as before, and more than before, reinforce and improve the main guarantee of our safety--the Red Army, Red Navy, Red Aviation. We shall bear in mind that, in spite of our wishes, the moment will come when we shall be called upon to justify Stalin's statement that we will not give up a single inch of our territory. Not only the Red military forces, but also the Red peoples of our great Union will take part in the defence of every inch of Soviet territory in the west and in the east."

These speeches of Molotov, Stalin and Litvinoff do not lead us to conclude that in 1934 the U.S.S.R. will remain clam and that her relations with Japan will be improved. Following the American recognition of the Soviet Union, the Government of the latter seems to have taken a stiffer attitude toward the Japanese in the C. E. R. sale negotiations and it is driven to the arms of the American statesmen who desire to establish closer diplomatic and economic co-operation with Russia. Following the restoration of Sino-Russian diplomatic relations, Soviet trade in China has grown by leaps and bounds. These two peoples are likely to be drawn togather if the Japanese continue to push through their aggressive military policy. Mr. Hirota, the Japanese Foreign Minister, realized the danger of China's possible co-operation with Russia and the United States, and he allowed Count Ishii to promote a non-aggression pact between Japan and the United States. M. Hirota has sought in vain to prevent China from securing technical assistance from the League of Nations for Chinese national reconstruction. One can hardly see how Japan can change her diplomatic isolation without abandoning her aggressive policy.

These enunciations of Molotov, Stalin and Litvinoff represent general Soviet opinion concerning a number of diplomatic conflicts between Russia and Japan. Russia, since the Mukden Incident in September, 1931, had maintained a watchful attitude toward Japan's aggression in China. Her representatives had several times warned Japan that Soviet interests in Northern Manchuria must be respected. When Japan used forces to obtain the patrol of the Chinese Eastern Railway, the Soviet authorities withdrew numerous locomotives and rolling stock to Siberia, which had become a source of conflict between the two countries. Since the puppet state (Manchukuo) delivered an ultimatum in April, 1933, demanding the restoration of the railway cars, etc; the forces of the countries had been dangerously concentrating along the borders. Rumors had been current that the aeroplanes of these two countries had been flying over each other's territory in causing troubles. On October 9th, the Soviet papers published the documents concerning Japanese plan of a forceful seizure of the C. E. R., and there was a great uproar in both the Soviet Union and Japan. Shortly afterwards, M. Molotov made a militant speech resenting Japanese aggressive program. As the C. E. R. question remains unsettled at present time, diplomatic tension between these two countries may continue to grow. The strong speeches made in Moscow certainly do not encourage us to hope for better Russo-Japanese relations in 1934.

LOOKING BACKWARD.

S. T. Wang (王繩祖)

Department of History

The year 1933 began with Japanese aggression in Jehol and ended with a civil war in Fukien. A review of past twelve months' events gives to our mind a feeling of anxiety and despondence. At this time, it may be justified to get a clear picture of the trend of movements, and see if there is any way to get over the crisis.

Probably in no period of history, and in no other country of the world, (even the early period of the French Revolution and the Russian Revolution not comparable) has a people faced with so tremendously difficult problems as China at present. The past year is especially marked by a series of disheartening events.

1. Foreign aggression. Japan had already occupied Manchuria, created out of it a puppet-state, Manchukuo, and this spring took in addition Jehol, a territory of nearly 600,000 square miles. All these were done in defiance of the League peace efforts. The Lytton report practically put Japan as an aggressor. Japan then withdrew from the League. Continuous warfare at the Great Wall threatened the safety of Peiping. China consented, or rather was forced under the circumstances to make a truce, the Tangku agreement. Active warfare with Japan thus far ended by China's acceptance of the status quo. The expectation of international sanction, economic boycott or whatever possible, falls to the ground. Since Nanking Government continued its confidence in the League, and compromised itself by signing the Tangku truce, it has become a target of attack from its opposition groups.

2. Internal revolt. Personal relationship as well as political principles plays a large part in party groupings in China. Both Canton and General Feng opposed Nanking Government, and attacked the truce agreement. Feng alone organized a separate government in Charhar. But it was coerced by Japanese troops in the North and government army in the South. It collapsed. Later General Fang Chen-wu, Feng's colleague, raised the banner of revolt. It was quickly put down, but the discontented elements only remain inactive for the time being. In the end of the year, Fukien revolted. The 19th Route army which had become reknowned in the Shanghai Incident of 1932 was the main factor. The People's Government was organized with Generals, Tasi Ting-kai, Chiang Kwan-nan, Cheng Ming-hsu and Li Chie-sen, and Messrs. Tsu-chien and Eugene Chen as leaders of the new government. All these men had a personal hatred of General Chiang Kai-shek. The People's Government had in its program a radical land policy, extremely socialistic, so as to win the support of the lefts of the Kuomintang and the Communists. Peace efforts failed to effect a compromise between Nanking and Fukien. They resorted to armed conflict.

3. Frontier unrest. The welfare of the frontier provinces has been long neglected by the Central Government. The Sinkiang province has been under the arbitrary rule of a war lord, Ching Shu-jen, for a long period. Mismanagement and racial animosity caused the revolt of the Turkis against Chinese administration this year. Ching was expelled and after coming to Nanking, was arrested on account of having made secret treaties with Russia. The National Government sent Marshal Hwang Meo-shou as commissioner to pacify Sinkiang affairs. This act roused the suspicion of Sinkiang military leaders that Nanking might try to put its own men to rule Sinkiang. Hwang was recalled, and the local leaders Shen Shi-tsang, and Liu wen-lung were receiving government appointment to organize the provincial government. With the Mongolian autonomy movement, the National Government dealt more tactfully. The National Government gave assent to the autonomy of Inner Mongolia and Mr. Hwang Shao-hsiung personally visited the provinces. Very recently a draft constitution for the self-government of Inner Mongolia was completed by the National Government.

4. Communism. In the central parts of China, especially Kiangsi, the Reds heve challenged the authority of the government. Campaign of suppression has been handicapped by the mountainous character of the districts where the Reds are in control, and by the diverted attention of Nanking government to the Japanese problem and internal rebellions. Also in Szechuen the Reds for a time took Hsui-han, and Hsui-tin, and almost threatened the communications on the Upper Yangtze River. Communism is a heart disease, so far as the strength and stability of the national government is concerned.

5 Rural bankruptcy. China is an agricultural country. In recent years, the poverty of the mass of the people is more evident than ever. The causes of the rural bankruptcy are complex—the frequent civil wars, poor system or lack of system of irrigation, lack of credit facilities, ignorance and lack of scientific implement, exorbitant rates of rent, inefficiency and mismanagement of the Hsien government, and numerous burdensome taxes. In Kiangsi, the surtaxes on land are three times the basic tax. Since 1931 the general price level of agricultural produce has declined. Even in rich harvest years, the farmers have been little benefited. It will be a dismal prospect, if Dr. Adron B. Lewis' scientific prediction comes out true that "rising purchasing power of silver will cause the internal price level in China to decline, will bring about severe business depression in China, and will reduce Chinese imports of foreign goods."

6. Split in the Kuomintang. In spite of the appeal for party unity by some leaders of the Kuomintang, the party now seems definitely and hopelessly split. Canton has been maintaining strained relations with Nanking, yet never challenging the sovereignty of the national government. In the People's Government, the Kuomintang has no place, and even the Kuomintang banner is done away with. Canton has played a skilful role in the situation. It joined the anti-communist campaign but only with limited drives in order to prevent them coming to Kwantung; but it did not join or gave active support to the People's Government, and that they will help Nanking to fight Fukien is most unlikely. To see Nanking alone embarassed by Communist attack, Fukien revolt and Japanese aggression, and thus expose its impotence and inefficiency seems to be the masterful tact of Canton.

In this political chaos and economic depression, the National Government has struggled to overcome the difficulties, and strenuously carried out a program of economic reconstruction. It has not been albe to win the support of the entire nation, but it has pointed a way through which the nation may save itself. Communism breeds where there is misery and poverty. Likewise political disunity would be always attendant to economic disunity. That the National Government pays great attention to economic matters is commendable. For this year, some of important achievements under the national administration are as follows:

1. The National Economic Council. "In order to accelerate economic reconstruction, to improve the people's means of livelihood and to regulate national finances," a National Economic Council with several subsidiary Commisions and Bureaux has been established. Not like the German Economic Council which is represented by the Government, large industries and labor unions, the National Economic Council is composed of president and Vice-president of the Executive Yuan, Ministers of Interior, Finance, Railways, Communications, Industries and Education, and other Heads of Central Government organs. It is to investigate, consider and carry out all state projects for economic reconstruction or development. It has employed a number of League experts whose advices are sought in various technical projects. With Mr. T. V. Soong's visit to Europe, China's technical collaboration with the League is solidified. This cooperation is entirely technical and non-political. Dr. Rajchman has been appointed by the League as the Technical Delegate with his "Information Office of League of Nations" at Nanking. At present there are about twenty-four foreign technical experts in China, including Sir Arthur Salter, formerly Director, Economic and Financial Section, League of Nations, Secretariat.

2. Rural reconstruction. The National Government has established a Rural Reconstruction Commission to tackle this serious problem. In General Chiang's Headquarters in the Kiangsi Bandit-supperession area, various measures for reconstructing the restored territory were adopted. Farm banks and various kinds of Cooperatives were established. Rural education and health problems receive due attention. Great many people think that the burdensome taxes paralyze the rural economy, and demand readjustment of local finances. Just a few days ago, Mr. Wang Ching-wei, President of the Executive Yuan, asked the various provincial governments to send full information about local taxes to the National Government.

2 3 4 3 9 9 0 4 0754

3. Finance. The Ministry of Finance under Mr. T. V. Soong has courageously abolished the use of tael in business. Hereafter in computation, $1.40 mex. is fixed for value of 1 tael. This simplified the exchange system, and is a good reform. From America, China has secured a wheat loan, the proceeds of which are designated for productive purposes.

4. Big undertakings. Under the direction of the National Economic Council, a project of road-building in the three provinces of Kiangsu, Chekiang and Anhwei, has been carried out successfully. With the British Indemnity fund a train-ferry connecting Pukow-Tientsin Railway and Nanking-Shanghai Railway was constructed. The Ministry of Industries has built a Central Agricultural Experimental Station, and project of an Ammonia-Salphate Plant was considered. Also a railway of about 350 miles from Hanchow to Kiangsan (in Chekiang province) was completed and opened on Dec. 28.

5. Development of the Northwest. After the loss of Manchuria, general opinion began to emphasize the northwest, including Shensi, Kansu, Sinkiang and western part of Outer Mongolia. These lands await for colonisation and development. Mr. Lo Wen-kan, Minister of Foreign Affairs personally went to Sinkiang to investigate political, economic, and social conditions. Mr. Sven Hedin, the Swedish geologist has been sent by the Chinese Government to select a line of road to Sinkiang. For developing the Northwest, the first demand is communications. Various projects for building highways have been advanced. The next essential factor is irrigation. With scarcity of capital and technique, only few road and irrigation projects as the irrigation project connecting between the Tsing and Wei Rivers in Shensi have ever been completed.

Toward these undertakings of the Government, and toward the foreign aggression and internal turmoils, what has been the attitude of the people? It is hard to measure the psychological reaction, and likely to be an entirely subjective opinion for a person who lives among them tries to speak for the large group. However, something is discernible. (1) Indifference. It is a striking contrast between the heated discussion, patriotic movements, or boycott during the previous crisis of 1391, and the passive quiet of this year despite the loss of Jehol and Fukien rebellion. Do the people, especially the students, fear the Japanese intervention? or do they fear the suppression of the government? or are they becoming indifferent to political things? This passiveness is really mournful. (2) Skeptical. Press opinion demands change of party dictatorship into political democracy. The Kuomintang itself is split into two or more factions. Why insist on one party rule? The government conducted foreign relations ingloriously. China is bored. The government should adjust itself to new circumstances. On the other hand, some people hold that one party government is a timely necessity, and the period of political tutelage should be long enough to give sufficient political education to the mass people of China.

We are in a period of storm and stress. 1933 is gone. We hope more promising development will follow in the coming year. The problem of China is at once national and also international. A change of foreign policy by Japan or enforcement of international sanction on Japan by the League will directly affect China. But China berself should be able to stand up. Economic reconstruction is futile if civil wars continue. Political unity can never take root if factions keep to provincialism. The state is in crisis. We must lay aside personal enmity, self-interest or petty principles. Build a strong state first. The time needs constructive Statesmanship

CHRONOLOGY OF SINO-JAPANESE RELATIONS IN 1933

Lu Hsioh-ying (魯學瀛)

Jan. 1 Japanese opened drive on Shanhaikwan.

3 Shanhaikwan occupied by Japanese troops.

11 Japan began invading Jehol.

12 Japanese occupied Chiumenkou Pass along the Great Wall, an important gateway to Jehol.

Feb. 6 League of Nations Committee of Nineteen voted not to recognize "Manchukuo" as an independent state.

17 T. V. Soong and Chang Hsueh-liang visited Jehol to encourage Chinese troops to resist Japanese invasion.

21 Japan officially launched drive on Jehol by three routes.

23 Japanese presented a memorandum to Dr. Lo Wen-kan, Minister of Foreign Affairs of China, demanding the immediate withdrawal of Chinese army from Jehol.

Mar. 4 Chinese defense in Johol collepsed; Chengteh, Capital of Jehol Province, felf into Japanese hands. Tang Yu-ling, Governor of Jehol, deserted the city on previous day.

8 General Ching Kai-shek went from Kiangsi to Paotingfu, near Peiping, where he reorganized the North China defense.

11 Chang Hsueh-liang issued a circular announcing his resignation and retirement from political life.

12 General Ho Ying-ching, Minister of War, appointed by the Goverment to take over the North China command.

27 Japanese Government officially withdrew her membership from the League of Nations.

April 7 The rebel force under Liu Kwei-tang's command was utilized by Japan tc disturb the peace on the east of Luan River.

17 A combined force of Japanese and "Manchukuo" troops penetrated far into Charhar.

20 Japanese announced completion of a railway linking Manchurian lines with those of Imperial Japanese railways in Korea, interpreted as strategic move againist Soviets.

25 Serious fighting in the vicinity of Kupeikou Pass resulted in Chinese withdrawal.

28 Dolonor, important city in Charhar, fell into Japanese hands.

May 2 Japanese alleged that Soviet troops mobilized at Chita and Irkutzk on Trans-Siberian line. Japanese War Office said that they were ready to attack Peiping and Tientsin.

3 "Manchukuo" officials declared that Chinese Eastern Railway was not the property of Soviets, that all rights surrendered to China in 1920.
Nanking Central Political Council announced creation of a Political Affairs Readjustment Commission in Peiping.

9 War resumed in North; Peitaiho occupied by Japanese troops; tension at Tientsin increased.

12 M. Maxim Litvinoff, Soviet Commissar of Foreign Affairs, announced the Soviet Government's intention to sell the C. E. R. to either "Manchukuo" or the Japanese Govnment.

14 Dr. Lo Wen-kan, Chinese Minister of Foreign Affairs, protested to the Soviet Government aganist the proposed sale of the C. E. R. as violation of the 1924 Sino-Soviet Agreements regarding the line.

15 Luangchow, not far from Tangshan City, fell into Japanese hands.

20 Announcement made in Peiping that temporary truce agreement had been reached between Japanese and Chinese military authorities, providing for suspension of hostilities; danger of imminent capture of Peiping-Tientsin area removed.

26 Japanese troops began to evacuate from Tunchow.

31 Truce Agreement signed between Chinese and Japanese delegates at Tangku at 11 a.m..

June 1 The C. E. R. renamed "The North Manchuria Railway" by order of the "Manchukuo" Government.

5 Japan concentrated her troops at Dolonor; tension on the east of Charhar resumed.

14 The League of Nations urged her member nations not to recognize "Manchukuo".

27 Delegates of Soviet Russia, Japan, and "Manchukuo" met at Tokyo to discuss the problem of the sale of C. E. R..

July 4 New Agreement signed bteween Chinese and Japanese delegates at Dairen Conference in connection with the settlement of military situation in North China; terms not revealed.

24 Japanese Foreign Office made declaration that any collaboration between the League and China is dangerous to the peace of Far East.

27 Field Marshal Nobuyoshi Muto, Commander-in-Chief of the Kwantung Army and concurrently Japanese Ambassador to "Manchukuo" died at Changchun; General Takashi Hishikari appointed his successor.

Aug. 13 Dolonor recaptured by a Japanese-"Manchukuo" force.

14 "Manchukuo" authorities protested against Chinese act in appointing magistrate in Hsinglung district located on northern border of Hopei Province; Chinese magistrate compelled to withdraw.

Sept. 14 Japanese Army warned General Song Chehyuen that if his troops not evacuated from Changpei prompt action would be taken.

22 The rebel force under General Fang Chen-wu captured the City of Hwairen; the next day, Japanese Kwangtung Army Office made protest, demanding its immediate withdrawal.

25 Japanese Army marched to the City of Meiyuin.

26 Japanese airplanes dropped leaflets in Peiping, warning General Fang Chen-wu that his troops should be immediately evacuated from the demilitarised zone, otherwise military action would follow.

30 The rebel force along the Armistice Line were cleard.

Oct. 4 Fang's force escaped eastward.

16 General Fang Chen-wu deserted h and his army immediately disbanded.

17 Mr. Ariyoshi, Japanese Minister to Nanking, left Shanghai for Peiping, and Mr. Tokugawa arrived at Nanking to have an interview with Mr. Wang Ching-wei, the Head of Executive Yuen; wild rumor that Japan was engaged in negotation with the Chinese Government for permanent sclution of Sino-Japanese disputes.

Nov. 2 Japan proposed the resumption of through-traffic between Mukden and Peiping.

3 Japan denied report of troop withdrawal from Great Wall, but would completely evacuate from the demilitarised zone in Hopei Province.

17 Major-General Okamura, vice chief-of-staff of the Kwangtung Army, arrived at Peiping, beginning negotiation with General

Ho Ying-ching and Mr. Hwang Fu in connection with war district.

1 The Chinese Custom Administration announced its intention to establish custom-stations along the Wall.

Dec. 12 Mr. Ying Tung, Captain of Peiping-Mukden Railway, arrived at Nanking, asking for instruction regarding the resumption of communication of Peiping-Mukden Line.

17 Chinese and Japanese delegates met at Tientsin to discuss the resumption of Shanhaikwan administration, with no results.

19 A combined force of "Manchukuo" and Japanese made advance into Charhar, interpreted as an an anti-bandit campaign.

2 3 4 3 9 0 4

0756

ASSOCIATED BOARDS

file copy

BULLETIN

ON

CHINA'S FOREIGN RELATIONS

(AND PUBLIC EVENTS IN THE FAR EAST)

Table of Contents

1. The Fukien Independence Movement. - - - - - - - - - T. M. Chen

2. The Kuomintang Fourth Plenary Session - - - - - - - - K. T. Wu

3. The C. E. R. Dispute Between The Soviet Union and Japan
- W. H. Ma

Vol. II, No. 2. *February 15, 1934*

PUBLISHED MONTHLY BY

THE INTERNATIONAL RELATIONS CLUB

NANKING, CHINA

(ADDRESS: UNIVERSITY OF NANKING, NANKING)

2 3 4 3 9 0 4

0757

THE FUKIEN INDEPENDENCE MOVEMENT.

T. M. Chen (陳鐵民)

Department of History,

University of Nanking.

With the fall of Foochow on Jan. 13, the secession movement in Fukien, which had lasted not yet two months, passed into history as one of the many failures of politico-military upheavals against the Nanking regime. Before its downfall very few people would have dared to predict what would be the outcome of the Chinese political situation if it had but lasted longer, or played the game of alliance and counteralliance more successfully. Besides, while China's relations with Japan is still under tension, such an outbreak would certainly mean either the acceleration of the latter's aggressive policy in Manchukao and North China, or another invasion in Fukien, her so-called "sphere of interest". Looking at the situation from such aspects, it was no wonder that the crisis has been closely observed the world over. So probably it is not inappropriate to give a panoramic view of the whole movement that its bearings upon recent Chinese politics may be properly judged.

Ever since his return from Europe last summer, General Chen Ming-shu, formerly commander-in-chief of the 19th Route Army and Minister of Communications had been very active in rallying all discontented elements, that had some sort of grievance against the Nanking government, to present a united front in advocating political reform. His constant interviews with Gen. Chiang Kwang-nai, chairman of the Fukien provincial government, and Gen. Chen Chi-tang, commander-in-chief of the lst Group Army of Kwangtung, together with the activities of the members of the so-called "Third Party" indicated that the crisis in Fukien had long been developing, before it was finally precipitated by a declaration of independence.

By November 20, the "People's Government of the Republic of China" was formally established in Foochow as a challenge to the Nanking regime, especially the dictatorship of Gen. Chiang Kai-shek. The new government was predominantly social-revolutionary in character. As to person, it was made up of the 19th Route Army, which defended Shanghai gallantly against the Japanese invasion only a year ago; the Kwangsi party with Gen. Li Chi-sen, formerly Chief-of-staff of the Headquarters of the Nationalist Revolutionary Forces, as its leader; and the Third Party, which was commonly designated as a "pink" political group, espousing some principles somewhat communistic in color. what was called the "Provisional Assembly of the people of the Republic of China" constituted the center of authority, from which the new administration derived its power. The new political machine had a chairman, and under him were the various commissions, headed by chairman, who helped the chairman like members of the cabinet. Below were some of the important figures:-

Gen. Li Chi-sun (Kwangsi), chairman of the People's Government.

Gen. Tsai Ting-kai (19th Route), chairman of the Military Commission

Gen. Chen Ming-shu (19th Route), Chairman of the Executive Commission.

Hsu Hsi-ching (Third Party), Chairman of the Finance Commission.

Chang Po-chen (Third Party), Chairman of the Educational Commission.

Eugene Chen (Third Party), Chairman of the Foreign Affairs Commision.

Gen. Yue San-ching (Feng adherent), Chairman of the Economic Committee.

Gen. Chiang Kwang-nai (19th Route), Vice-chairman of the Economic Committee and concurrently Governor of Fukien

Gen. Yan Kwek-chun (Canton), Superintendent of the Public Safety Bureau.

George Hsu Chien (Third Party), Secretary of the People's Government.

An analytical study of its personnel shows that the People's Government recruited under its regime many of the remnants of the extremist government at Hankow in 1927. Thus George Hsu Chien and Eugene Chen had both played very striking parts during the Wuhan administration. Huang Ki-cheung. the extreme Ironside commander, who inflamed the Ironside corp d'etat in Canton in 1927, and Chang Bei-chun, another Koumingtang extremist politician, were also included in the new administration. Besides, the new Foochow Police Commissioner, Yau Kuo-chen, was for a time close associate of the notorious East River Red leader, Pang Pai. The evident communistic leanings of such leaders could not but arouse the suspicions of the public that some sort of alliance or understanditg between the Reds in Kiangsi and the Foochow Government might have been made. Despite the denials of Eugene Chen and other leaders of its association with Communism, a Soviet spokesman did admit that an agreement "has existed for several months a tacit agreement kept by both sides not to attack each other so long as certain conditions are observed".

As to the program and aims of the movement, it was imbued with very strong socialistic ideas. For instance, it advocated freedom of labor to organize and seek redress through strikes. State ownership of land, forests, mines, and chief industries was another fundamental principle of its platform. In regard to diplomatic relations, it advocated complete tariff autonomy, abolition of unequal treaties, and prolonged resistence against Japanese aggression. According to Eugen Chen's statement," the movement also aims at the liquidation of the political system which has led to the ruth less exploitation of the Chinese people in the interest

of Nanking's Koumingtang despotism which has caused the peasants to starve under a tax system which scrapes the earth in order to enable Nanking's suppression of the Nineteenth Route Army and others unwilling to see China conquered. The movement aims further at the transformation of the medieval economy of China's village life and on this foundation to build a new order of society providing political liberty and economic security to the individual." This announcement showed graphically the intrinsic hatred of the new govrnment against the Kuomingtang regime. The complete repudiation of the Kuomingtang Party and the substitute for the familiar "blue-sky white-sun" flag of a new ensign of red and blue with a yellow star, were only natural consequence, although many people were rather shocked of hearing the news.

Immediately after the outbreak of the secession, Canton instead of Foochow was the centre of interest, because, with its straitened finance, Fukien could hardly realize its gigantic attempt to overthrow the Nanking Government without having Kwangtung as her ally, or occupying that rich province as her first prey. To protect the position of Nanking, Gen. Chiang Kai-shek would also try his utmost to rally Gen. Chen Chi-tang to his side, lost the extension of the movement should be too great for him to cope with. In addition, the shifting of attitude of Hu Han-min, a veteran Koumingtang member formerly chairman of the Legislative Yuen in Nanking and now residing in Honkong would cause no insignificant change in the political balance.

For many years Nanking and Gen. Chen Chi-tang have always been at arm's length. This Kwangtung ruler occupies a strategic position too important to be neglected whenever any political upheaval is in fermentation. The futile attempt of Gen. Chen Ming-shu to win Gen. Chen Chi-tang over to his side, and the rather abrupt declaration of Fukien independence made the latter rather nervous, at first, in hurrying to take defensive measures along the eastern border of Kwangtung against any possible attack from Fukien. The attitude of Kwangsi was then in shadow, and the fortification of the west River section seemed also very necessary, The dismissal of two of his leaning subordinate commanders, Generals Yu Han-mao and Heung Han-ping, because of suspicion of their alliance with Fukien to overthrow him, revealed that during the first few days of the incident Gen. Chen Chi-tang was in a very embarrassed situation. This naturally made him throw himself into the arms of Nanking. The points of agreement between the two parties were: (1) an increase of $300,000 monthly for Canton's expense in connection with the anti-Red war, (2) Cantion's promise that, in the event of war between Gen. Chiang Kai-shek and the 19th Route Army, it would remain on the defensive, i. e. neutral, and (3) Canton's continued co-operation with Nanking in the anti-Red war in Kiangsi.

But the demands of the South-west Political Council were much more severe in tone, the important ones being (1) the immediate resignation of General Chiang Kai-shek and Wang Ching-wei and (2) the transfer of all military power by General Chiang Kai-shek to the National Government. As a result, the National Government dispatched four envoys to Canton, Chang Chi, Ma Chao Chuan, Chen Chao-ying and Wang Hu-yi. They arrived in Hongkong on December 10 and conferred with Hu Han-min in the British colony, Chen Chi-tang and other leaders in Canton, and Generals Li Tsung-jen and Bei Chung-hsi in Nanning, Kwangsi, respectively. In the meanwhile, there was the development of another government in the southwest including Kwangtung, Kwangsi, Kweichow, Yunnan and Hunan. The opportune arrival of the four envoys checked the realization of such efforts, secured the assurance of Canton's support of the Central Government, and the negative co-operation of Kwangsi in non-participation in Fukien. The mission returned to Nanking on December 25. According to official statement they were "on the whole successful." What they did actually achieve was that proposals for a general reajustment of governmental and party affairs would be submitted to the Central Executive Committee at the 4th plenary meeting scheduled for Jan. 20. However, Hu Han-min's proposal for an adjustment of the crisis deserve to be noticed. Altogether there were eight points, which might be summarized as follows:- (1) non-interference in politics by military leaders and the control of all armies by the Central Government.

(2) Equalszation of rights between the local and Central Governments.

(3) A Government for the interests of the people with real observance of Dr. Sun Yat Sen's teachings.

(4) Strict enforcement of tariff autonomy, abolition of heavy miscellaneous taxes, appropriatious for farm-relief, development of communications and expansion of industries and trade.

Such were the political jugglings in the South-west that Nanking had to pacify, while threatening clouds were gathering along the Fukien-Chekiang borders fore-shadowing the immediate eruption of another serious civil war.

As to the international phase of this movement, perhaps no other nation was so much concerned as Japan. At the beginning, the iucidental visit to Fukien of Japan's "Special Ambassador", Sugima, gave rise to a rumor that an understanding had been reached with the Japanese whereby the Japanese had agreed not to interfere with the new Government so long as Japanese properties and nationals remained intact and safe. As soon as the news of the Fukien independence was received the Japanese on November 20 dispatched Talsuo Kawai, first secretary of the Legation, stationed at Shanghai,to Foochow to make an investigation. On November 21, the Tokyo Foreign Office formally anounced that a special meeting on the Fukien situation had been held; and a declaration was issued to the effect that "so far as the Imperial Japanese Government is concerned, it will pursue a policy of non-interference in the internal politics of China, and of 'watchful-waiting' with respect to the situation in Fukien...In case, however, things come to such a turn as to menace Japan's rights and Japanese lives and properties in the province, the Japenese Government is ready to take positive measure to protect them". The attitude of the army authorities was somewhat reserved and watchful and

what concerned them most was "whether or not an European or American influence is working at the back of the independence movement." The navy authorities asserted that the Imperial Navy would take all necessary measures for the protection of about 8, 000 Japanese, including Formosans in the province.

Now let us turn to the military side of the situation.

The foregoing description of the political complication that the separate movement had started is enough to convince us of its serious strain upon Nanking. No sooner had the rebellion taken place, than General Chiang Kai-shek concentrated all his efforts and energy upon the question of immediate conquest of his formidable foes. By the end of November, his trusted 88th Division, commanded by General Sun Yun Liang was dispatched from Nanking to Hangchow for the purpose of garrisoning the Chekiang-Fukien borders. For several days the transportation of infantry, cavalry, artillery, including anti-aircraft guns, from the capital to Hangchow, through Shanghai, was at a rush. So within a rather short period about 100,000 troops were sent to the strategic points along the Chekiang border. At the same time, General Chen Chi-tang, commander of Canton, concentrated his troops on both the Kwangtung-Fukien and the Kwangtung-Kwangsi borders against sudden attacks.

Regarding its political and military situation, the Fukien Government expected, at first, the alliances of the Kwangsi leaders and some of the northern Generals. However, disagreement with its socialistic platform severed Kwangsi from being its ally, and the situation in the North was not favorable for another revolt. Soon the Northern generals, including generals Wan Fu-lin, Yu Hsueh-chung, Hsu Yung-chang, Tang Ping-hsun, Sung Che-yuan and Han Fu-chu expressed their unanimous support of the Central Government regarding the Fukien rebellion. According to the statement of Chi-hiang, spokeman of the Shansi Government, General Yen Hsi-shan, Director of the Taiyuen Pacification Headquarters, was highly indignant at the Fukien rebels and was strongly opposed to the movement. General Feng Yu-hsiang also remained inactive on Tai-shan. Consequently, Fukien had to fight against Nanking single-handed. In order to adjust its financial strain, which, with the poverty and exhausted sources of revenues of the province, became much more serious after the outbreak of the rebellion, the customs in Foochow and Amoy were seized by agents of the new regime on November 21.

As immediate occupation of Kwangtung was impossible, a sort of compromise was made between the two provinces with the understanding that Kwangtung would remain neutral so long as Fukien would not take aggressive steps. Early after the declaration of independence, the 19th Route Army rapidly mobilised near the Chekiang-Fukien borders, expecting to strike a decisive blow at the Nanking troops before they could get together with overwhelming strength against Fukien.

Early on December, skirmishing between the two opposing forces along the borders gradually developed into serious civil war. Actual hostility was begun, when Nanking dispatched its aviation forces to carry on aerial bombings against the rebels in Chuanchow and Changchow on December 3. On December 24. 25 and 26 the Nanking planes bombed the city of Foochow, capital of the People's Government, destroying considerable government property and causing many incidental casualties among civilians. Being panic-stricken, the people were hastily evacuating into Nanti, the consular district, and the neighboring mountains. The bombing raids by Nanking aroused intense ill feeling on the part of patrictic Chinese, who had contributed enormous sums of money to the government for buying military planes. Having learned the lesson of the Japanese aggression in Shanghai when China was pitifully at the mercy of the Japanese aerial-bombings, they had thought the development of the air forces would strengthen China's national defense. To their great disappointment, such planes were first used in civil war! Such raids also drew the attention of the powers. On December 17 the foreign consular body at Amoy had decided, after a conference, to evacuate everyboy to the gun boats stationed in the harbour. The Japanese consul, however, let all Japanese remain in the city and asked the Japanese navy authorities to take necessary measures to protect them. Foreign missionaries stationed in the interior towns in the province, such as Yenping, Kenyang and Kiensu, were also asked remove to Bucheng and Hsienhsia near the Chekiang border.

In adatition to the air-bombing of Fukien cities, concrete measures for a blockade of the Fukien coast were decided upon by the naval authorities Towards the end of November the gunboats Yat Sen, Cheng Shan, Yung Chin, Chu Kuan and Kiang Yuan were dispatched to station at Santuo, about 40 miles north east of Foochow. In order to prevent the transportation of contrabands, vessels entering and leaving the port of Foochow were being searched. Soon afterwards, three other gunboats, the Ning Hai, Hai Shon and Ying Jui, were taken South-wards by Rear-Admiral Chen Chi-tang, commander of the lst Naval Squadron.

While Nanking was in an advantageous position as a result of the aerial attacks against Fukien cities, the offensive by land forces was started by the 19th Route Army along the southern Chekiang border beginning on December 17 and 18. The 19th Route forces decided to drive into Chekiang by three routes (1) by way of Pingyang so as to capture Wenchow, which General Chiang Kai-shek was using as a base for his aeroplanes as well as for the transportation of troops and munitions inland,(2)by way of Taishun and Chingyuan at a distance of about 100 or 150 miles from the coast, and (3) by way of Yinping, Yangko and Puchang so as to prevent the Nanking forces from advancing down the Min valley to Foochow.

On December 25, General Chiang Kai-shek flew off to the front from Hangchow. On Jan. 2 serious fighting was in progess at Taishun, Tingyang, Chingming and further to the northwest of Yenping, The rebel forces then penetrated far into Chekiang. The situation was "extremely tense"; Taishun was practically destroyed with heavy losses to the civilian population, and Chingping, about 20 miles north of the border and 75 miles somewhat south west of Wenchow, was

almost within reach of the Fukien forces.

However ,just a week later the military situation took a sharp turn in favor of the Government Expeditionary Forces. On Jan. 6 Yenping, the gateway to Foochow, was captured. Thus the Nanking forces won victory after victory in rapid succession, pushing ahead down the Min River. Kutien, the last stronghold of the rebel forces, was first taken on Jan. 8, recovered by the rebel garrison and re-taken by the government troops on Jan. 12, together with another important town on the Min-river, Mintsing, which is about 25 miles away from Foochow. The important seaport of Amoy was occupied by the Government Navy on Jan. 20, while Foochow, seat of the rebel Government, was entered by government marines on Jan. 1 . On Jan 14, Admiral Chen Shao-kwan, Minister of Navy, and Admiral Chen Chi-liang, both of whom had gone to the front to direct the operations, entered the city and supervised the occupation. In consideration of rehabilitation of the province after the capture of Foochow, the government appointed Gen. Chen Yi, Vice-minister of War, as chairman of Fukien to undertake the organization of a Fukien Provincial Government.

After the fall of Kutien and Foochow, the 19th Route Army was greatly demoralized. Its remnants gradually drew to southern Fukien with Changchow and Chuanchow as new bases. The Army had suffered heavy casualities during the progrees of the war. According to a 'Reuter' report, Gen. Tan Chi-hsiu's troops had been almost completely decimated, while the Divisions of Gen. Sheng Kwan-han and Gen Au Show-min had been halved, leaving the armies under Gens. Mao Wei-shao and Chang Yen complete. On Jan. 14 important persons of the Peoples Government, like Generals Li Chi-sen, Chen Ming-shu, Tsai Ting-kai and Chiang Kwang-nai, and Eugene Chen all bade farewell to Foochow. So ended this tragicomic act in the complicated and perplexing drama of Chinese politics, only fifty-three days after the declaration of independence. But the problem of liquidatiug the remnants of the revolt, which still had a force 30,000 strong, needed more time before it could be finally settled. The military sphere of the expedition was over, and its final settlement required the skilful handling of politics, especially in regard to the dealings of Nanking with the leaders of the LiangKwang provinces.

With the purpose of preserving the balance of power and the status quo in South China, Generals Chen Chi-tang, Li Tsung Jen and Bei Chung Hsi had respectively wired the National Government, asking for temporary suspension of the punitive expedition so as to allow the abolition of the "Peoples' Government", and to save the 19th Route Army from possible annihilation. Hu Han- min also made the same demand. They based their request upon the fact that the nationally-honored Army that had rendered great service to the nation in the defense of Shanghai against the Japanese two years ago, should be preserved by all means. Meanwhile, the advance of the Kwangtuug armies into Southern Fukien in the name of assisting the Government to suppress the Army made Nanking rather anxious lest the real object of Kwangtung was to share the Government in the Central of the Army.

On Jan. 24 General Chiang Kai-shek sent an ultimatum to the 19th Route Army that the reorganization scheme must be accepted. According to the regulations announced by Nanking, officers above the rank of battalion commanders in the Army must hand over their soldiers to the Government, unless their posts were confirmed by Nanking. The soldiers were to be disbanded and given disbandment fees unless they pledged loyalty to the Government and applied for reorganization. General Tsai Ting-kai opposed strongly such a scheme and negotiated with Chen Chi-tang for its incorporation into the Kwangtung Army. To make the story brief, after a short period of continued hostilities due to disagreement as to the reorganization plan, the 19th Route Army are finally reorganized into the 7th Route Army of Bandit Suppression. Some 3,000 officer and men of the Army, who had been holding out in Lungyuen against Nanking, were reorganized by General Chen Chi-tang into a special brigade.

In conclusion, the rapid collapse of the Fukien independence movement may be attributed to several reasons. First, so far as finance and military equipments were concerned, the rebels were in a much inferior position. During the duration of the war, the People's Government was often at its wit's end in trying to get more and more money be exactions from the people, despite its high-sounding principle of lessening the people's burden by cutting the miscellaneous taxes. The air-raids and blockade of Nanking scared even the undaunted 19th Route Army. Second, the movement really contained too many incongruous and jarring elements with too many divergent aims and aspirations that could scarcely be amalgamated. Third, its total repudiation of the Kuomingtang Party alienated many of the veteran Kuomingtang leaders, who had common grievances against Nanking, but were not in agreement with such a suicidal attitude. Their defect was the lack of discrimination between the Kuomingtang Party and some of the Kuomingtang leaders who might have abused their authority in seeking their own selfish ends. Had their objective been limited to personal issues and a reform of the government, they might have received better response. Last, but not least, the breakdown of the revolt indicates that China, as a whole, needs national solidarity, during her present period of crisis. Any movement that endangers the maintenance of this nationally-cherished solidarity is bound to fail, no matter how appealing its program may be. In short, if any reform is necessary at all, it must be carried on by peaceful means instead of by using the sword. Such is probably, the common psychology of the whole nation ever since the outbreak of the Manchuria Affair.

THE KUOMINTANG FOURTH PLENARY SESSION

K. T. Wu

The fourth plenary session of the Central Executive Committee of the Kuomintang opened on January

20 and adjourned on January 25. It was scheduled to meet toward the end of last year, but was postponed until the end of January. The Central Executive Committee, being the highest executive organ of the party, is composed of party members elected at Party Congresses, of which there have been four. This was the fourth plenary session of the fourth Kuomintang congress, the other three plenary sessions of the current series having been held in December 1931. March 1932, and December 1932. An atmosphere of hope appeared to reign in Nanking when the meeting was inaugurated by Mr. Wang Ching-wei. It was held with mixed feelings of optimism and solemnity, especially after the successful suppression of the Fukien revolt.

In his speech Mr. Wang urged the immediate necessary not alone of prosecuting with vigor the military campaign against China's communist marauders but also of removing the root causes of the trouble by solving the problem of unemployment and alleviating the sufferings of the people. Courage and humility were enjoined on the gathering as the watchwords for future exertions. Reviewing the tribulations which China has encountered during the year that has elapsed since the third plenary session was held in December 1932, Mr. Wang characterized it as the most critical in the history of China. Continuing his speech, Mr. Wang courageously faced the fact that conditions in present-day China were far from being satisfactory and that it would be well to acknowledge this indisputable fact, as dissatisfaction was a powerful impetus to progrees.

In all, four formal plenary meetings were held successively on four days: the first on January 22, with President Tai Chi-tao of the Examination Yuan in the chair, the second on January 23 with Gen. Chiang Kai-shek in the chair, the third on January 24 under the chairmanship of President Sun Fo of the Legislative Yuan, and the last on January 25 presided by Mr. Ku Meng-yu, Minister of Railways. All these meetings were well attended.

The first meeting was mainly devoted to the hearing of reports from the various committees, including that of the standing committee of the Central Executive Committee by Mr. Chu Cheng, that of the Organization Committee by Mr. Chen Li-fu, that of the Publicity Committee by Mr. Shao Yuan-chung, that of the Political Affairs Committee by Mr. Wang Ching-wei and that of the National Economic Council by Mr. T. V. Soong. There were also group meetings in which reports and proposals were examined and discussed. Much significance was attached to the report by Mr. T. V. Soong, in which he declared that the concentration of national energy on economic reconstruction provided the only means of saving China. He brought out the salient point that economic cooperation with the League could not be realized by means of empty words, but conspicuous achievements were needed to win the sympathy of the public.

In the second formal meeting held on January 23, the rostrum was graced with the presence of Gen. Chiang, Chairman of the Military Affairs Commission, who had returned from the Fukien front by airplane on the previous day. Two new arrivals, Marshal Chang Hsueh-liang and Gen. Huang Hsioh-chu, Chairman of the Kwangsi provincial government, afforded the center of interest. In the course of deliberations, the meeting reached many decisions. The proposal for reform of the existing system of provincial government by Gen. Huang Shao-hsiung, Minister of Interior, whereby the present committee system would be abolished and the old system of provincial government be reinstated in order to centralize the control of the province, was adopted in principle. According to the *China Press* despatch of January 24, another resolution carried at the meeting was the proposal submitted by Gen. Ho Ying-ching, Minister of War, to shorten the period of political tutelage with a view to the early introduction of constitutional government in China. The sanction of the civil rights of freedom of speech, of press, of publications and of assembly was also urged by Gen. Ho. Mr. Li Tsung-huang urged reform in political administration and the launching of extensive reconstruction. Mr. Chiao Yi-tang suggested the establishment of Chinese medical schools and Chinese pharmacies, and this suggestion has been referred to the Ministries of Inteiror and Education for execution. In this session there were also many other proposals in connection with political and educational matters which were referred to the Central Political Council and the Ministry of Education respectively for consideration and execution. Considerable attention was attracted by Gen. Chen Chien who proposed the strengthening of the national defence in preparation against emergency. The proposal was adopted in principle and referred to a special committee for consideration.

The third meeting of the session was devoted to the deliberation on proposals largely dealing with party and economic affairs and a total of 14 resolutions were adopted and referred to the Central Political Council, the Executive Yuan, and the National Economic Council for execution.

The fourth formal meeting of the session was held on the last day of the convocation. After hearing routine reports, the meeting re-elected, on recommendation of the Presidium, Mr. Lin Sen as Chairman of the National Government and appointed the Pachen Lama as member of the National Government Council. Some resolutions acted upon at the session included economic proposals dealing with the development of the northwest and land tax reform. Dr. H. H. Kung, who offered these proposals, asked that the land tax system be adjusted and administered in such a way as to benefit land owners as well as the national treasury. He also proposed the effectual abolition of irregular and local land surtaxes and urged the adoption of budget systems by local governments. All these proposals were approved in principle and referred to the Executive Yuan. In this meeting Mr. Hu Han-min's publicized eight points were echoed in the proposals of Mr. Siao Fu-cheng, Southwest Political Council representative, and adopted in principle after they had been so modified as to offer nothing of a controversial nature.

The closing ceremonies of the Session were held in the afternoon of Jan. 25 presided over by Mr. Chu Cheng, President of the Judicial Yuan. The last act of the conference was the issue of a lengthy manifesto calling upon the nation to cooperate and redouble its

efforts to pull China through the present crisis. Concluding with an appeal for unity and reconstruction, the manifesto pointed out two cardinal principles for saving China, namely, concentration and replenishment of national vitality. In order to win its place in the family of nations and serve the interests of its people, a modern nation must be a compact, organized mechanism throbbing with strength and vitality.

It will be seen that the conference did much to uplift the morale of the nation, especially in this time illusion, although it failed to achieve specific decisions since no resolutions of far-reaching national importance were adopted. Particularly it is encouraging to note that harmony prevailed in spite of the divergence of of opinion between the participants. There was for instance, sympathetic hearing of proposals put forward by the Canton representatives. The spirit of antagonism and animosity and lengthy harangues were conspicuous by their absence. Personal differences were discarded to make room for national issues. At first it was thought that a quorum could not be obtained, but later on this fear was happily dispelled.

Of special importance has also been the readiness and candidness on the part of the national leaders to face reality and to admit their mistakes. This is an important departure of the Kuomintang policy. Hitherto the leaders have been inclined to attribute one failure or another to inexcusable reasons and flimsy pretexts. The outspokenness and frankness of no less important a personage than Mr. Wang Ching-wei in admitting the government's faults and accepting reproof there is a very healthful sign. By lending an attentive ear to the constructive criticism of the masses, it is hoped that past failures will be remedied.

THE C. E. R. DISPUTE BETWEEN THE SOVIET UNION AND JAPAN

W. H. Ma

Professor of International Relations,

University of Nanking.

The Portsmouth Treaty which concluded the Russo-Japanese War in 1904-5 assigned the spheres of interest in North and South Manchuria respectively to Russia and Japan. Russia was contented, temporarily at least, with the provisions of the said treaty and turned her diplomatic attention to Constantinople and western Europe. Japan, however, was fully satisfied with Changchun as the terminus of her cherished South Manchurian Railway. Shortly after the Russo-Japanese War, the Japanese narrowed the gauge of the Russian-built line between Changchun and Darien to the standard 4'-8.5" gauge. It was a foregone conclusion that the Janpenese would eventually change the gauge of the line between Changchun and Harbin, so that the Russian influence might be confined to the Chinese Eastern Railway. Moreover, the Japanese took advantage of the Great War as well as the Russian Revolution in 1910-18 to send troops to Siberia with the ostensible purpose of assisting the Czechoslovak army which retreated to Siberia and preventing the Red Army from invading the Far East. The Japanese officials actually obtained an upper-hand in the control of the C. E. R., and intended to stay in Siberia continuing their grasp over North Manchuria. Thanks to the attitude and actions taken by the Americans, Britishs and others who insisted on withdrawal of troops from Siberia and North Manchuria at the end of the Great War the Chinese were able to assume a temporary control and management of the railway in collaboration with Russians. After the signing of the Sino-Soviet agreement of 1924, the railway became a joint enterprise of the Chinese and Russians, Such was the status of the railway in 1931 when Japan occupied by military force the territories along the South Manchurian Railway.

The Mukden Affair of September 18, 1931 and the subsequent extension of Japanese force to Harbin and other C. E. R. cities renewed the Japanese ambition to eliminate for Japan's sake the Russian influence in North Manchuria. The Japanese military forces rapidly assumed the responsibility of patrol along the C. E. R. After the conclusion of the protocol between Japan and her puppet creature "Manchukuo", Japanese claimed that they had a treaty right to station troops in all parts of Manchuria. The "Manchukuo" officials, as they took over various Chinese Government properties in Manchuria, took over China's share in the railway. Consequently, "Manchukuo" representative appeared as successors to the Chinese directors of the line. Actually it was the Japanese who were behind the "Manchukuo" directors in directing the affairs of the railway. Naturally the Japanese adopted a stiffer policy toward the Soviet directors than the former representatives of the Chinese Government, in order to embarrass the Soviets to such a degree that they might finally quit the railway without much compensation.

The Japanese regular and irregular military activities in North Manchuria have done considerable damage to the railway. They had fought extensively against the forces under General Ma Chan-shan around Tsitsihar, the capital of Heilungkiang province, and Harbin, the junction point of the C. E. R. and S. M. R. The coup d'etat at Manchuli led by General Su Ping-wen and his men also caused important losses of traffic and trade on western portion of the railway. To the east of Harbin, the Japanese military campaigns against Generals Ting Ch'ao and Li Tu paralyzed the eastern portion of the railway for a few months. The bandit activities caused by the Japanese military activities in North Manchuria have also done enormous damage to the railway. It was reliably reported that from the beginning of 1932 to May 5, 1933, 56 persons were killed on the line, 825 injured and 593 kidnapped.

The Japanese used still one other strategic method in paralyzing the C. E. R., - the consolidation of all railways in Manchuria except the C. E. R. under the management of the South Manchurian Railway. All the Chinese railways, formerly competing with the S. M. R., are now under the direct control of the Japanese. The Japanese control even extends to the Mukden-Peiping line, particularly the distance between Mukden and Shanhaikwan. It must be recalled that this line was built with a loan advanced by the British who claim to have an interest in that part of Manchuria, but it has been taken over by the Japanese since the Mukden Affair. With the completion of the Kirin-Hueining railway connecting Korea with Manchuria, the Japanese are able to control four lines of railway running from south to north and terminating at four different strategic cities on the C. E. R. The immediate effect of this railway policy was the paralysis of Soviet trade in North Manchuria. Vladivostok is a far distant port on the north-east of Asiatic coast from which navigation to other Far Eastesrn ports has not been developed. The ultimate and more significant effect on the C. E. R. is a military one. In case of a clash between the Soviet and Japanese forces, the latter can quickly rush troops to the cities along the C. E. R. and completely cut the Soviet connections between Vladivostok and Manchuli.

The Soviets immediately realized the significance of the situation. They now found that it was not a weakened China with whom they were dealing. The preferred to not have anything to do with "Manchukuo", but as an instrument of the Japanese they cannot avoid it. Actually they are dealing with the Japanese who have maintained an aggressive and militant policy in the Far East. The Russians are realistic people. They must choose between two lines of action: to surrender all Russian rights and interests in North Manchuria to the Japanese or to resist such an aggression with force. The Soviet statesmen and diplomats have carefully tried to avoid the second procedure, but they have marked time in making concessions to the Japanese.

When the Mudken Affair took place in September, 1931, the Kremlin maintained an attitude of reserve. Occasionally they warned the Japanese that the Soviet interests in North Manchuria should not be jeopardized. When Japanese forces actually captured Harbin and took over the patrol of the C. E. R., the Soviets used only negative methods in protecting their interests. They accepted the "Manchukuo" directors as successors of Chinese representatives, but they quietly maintained the Soviet half-interest in the railway. During the Japanese military campaigns along the railway the Soviet authorities suddenly withdrew to Soviet territory 83 locomotives, 194 coaches, aud 3200 freight cars belonging to the C. E. R. Some of the rolling stock was taken over by General Su Ping-wen who took refuge in Soviet territory after his defeat at Manchuli. Parenthetically it might be mentioned that both Generals Ma Chan-shan and Su Ping-wen who retreated into Soviet territory were protected by the Moscow authorities against Japanese demand for their extradition.

The situation took a rapid turn in the spring of 1933. The resumption of diplomatic relations between Soviet Russia and China in December of the preceding year had given rise to many misgivings on the part of the Japanese, who felt that a renewed cooperation between these two countries might menace the Japanese position in Manchuria. In February of 1933, attempt was made by Japanese spies to burn the Soviet Civil Air Fleet Headquarters at Ust-Bolsheretsk in Kamchatka. On April 11, a *Tass* agent reported from New York alleging that the visit of Yosuke Matsuoka to the United States was chiefly for the purpose of inducing the United States to delay its recogition of the U. S. R. It was rumoured that the Japanese had regarded the recognition as an unfriendly move against the Japanese. The Soviet and Japanese newspapers both published articles and reports of provocative character. The Soviets charged that the frequent bandit raids along C. E. R. took place with the connivance of Manchukuo officials, who did nothing to stop the depredations; which have as their object the obstruction of the traffic between North Manchuria and Vladivostok. On the other hand, the Japanese complained that the Soviet workers on the railway were helping the anti-Manchukuo forces to overthrow the puppet state. In was feared that there might be wholesale arrest of Soviet workers by the Manchukuo officials.

On April 12, 1933, the "Manchukuo" Government, instigated by the Japanese, presented an ultimatum to M. Kouznetzoff, vice director-general of the C. E. R., demanding the return within one month of the rolling stock from Soviet Russia to the C. E. R. The Soviet Government was threatened that if such rolling stock was not returned on May 12, the Manchukuo Government would take drastic actions. Three reassons can be assigned for Japanese action in such manner. In the first place, the Japanese expect the puppet state to be well utilized as an instrumentality in dealing with the Soviet Union. Through Manchukuo, direct conflict between Japan and the Soviet Union can be avoided. In putting Manchukuo in front of the railway question, Japan might succeed in compelling the Soviet Union to recognize Manchukuo, Secondly, international relations during those days were certainly not too favorable to the Soviets, who were somewhat isolated in European diplomacy. In arresting and imprisoning some of the British engineers in Russia, Anglo-Russian friendly relations were imperilled. For this reason, Washington hesitated and delayed its recognition of the Soviet Union. As the Russians had antagonized several of the important countries in Europe the Japanese felt that strong action could be taken against the Soviets. Finally believed that the Soviet Union which had just begun its second five-year plan would not risk a war against Japan at the present time.

The Japanese prophesy was not without good foundation and was partly fulfilled. The Soviet Government after receiving the Manchukuo ultimatum again marked time. It was not until the time limit of the ultimatum was due to expire that the Soviet statesmen declared their policy toward the C. E. R. The rumor of sale of the railway to Japan was current

several days before the expiratition of the ulttmatum time. Dr. W. W. Yen, the Chinese Ambassador to Moscow had, on May 11th, a conversation with Mr. Karakhan, the Assistant Commissar for Foreign Affairs, regarding the vernacular report of the sale. M. Karakhan categorically denied the validity of the report. The next day (May 12th) M. Litvinoff, the Soviet Commissar for Foreign Affairs suddenly admitted that the Soviet Government had offered to sell the railway to Japan or Manchukuo. Of the 13th, M. Yurenev, Soviet Ambassador to Tokyo, called upon Count Y. Uchida, the Japanese Foreign Minister, proposing the sale of the railway. In case the sale cannot be carried through, a lease of the railway to Japan might be considered.

The offer of the Soviet Government proved to be a serious disappintment to the Chinese, who protested against it. The Chinese Government in an official Communiqué issued on May 9 clearly stated its position. The Chinese Government desired to point out that the only parties which have legal rights and interests in that railway are the Republic of China and the Union of Soviet Socialist Republics, the communiqué said. "That so far as China is concerned her rights therein will not be imperilled or prejudiced by any action on the part of any other party or parties, far less any party which has no legal existence and which has unlawfully seized the regions traversed by the railway. It needs scarcely to be emphasized that all matter pertaining to the Chinese Eastern Railway should continue to be governed by the agreements concluded between China and the Soviet Union in 1924 and should be exclusively determined by the government of these two countries. Any new arrangement concerning this important means of communication, made without China's consent would constitute a violation of the agreements of 1924 and should, therefore, be considered null and void. They would never be recognized by the Chinese Government."

The Soviets, on the other hand, had reasons to justify their action. In regard to China's protest concerning her legal rights in the railway, the Soviets replied that China at present is unable to fulfill her treaty obligations. After the Japanese military occupation of Manchuria, the value of the C. E. R. - both economic and military - has been greatly reduced. If the sale was to be materialized, it would not seriously affect the existing positions and policy of the Soviets in the Far East. Moreover, the Soviets did not consider it wise to risk a war against Japan, simply to save the C. E. R. and their interests in North Manchuria. They have their hands full with internal economic development, and Europe is in the midst of enormous difficulties which exact Soviet attention.

The proposed sale of the railway has not only caused the protest of China but also aroused the interest of other countries as well. M. Martel, French Ambassador to Japan, immediately called on Mr. H. Arita, Japanese Vice Minister for Foreign Affairs, asking for information with regard to the reported sale of the C. E. R. to Japan. The French Ambassador pointed out that France is greatly concerned in the settlement of the C. E. R. dispute, as France invested in the establishment of the Russo-Asiatic Bank, which accommodated the C. E. R. with a loan at the time of its establishment. The Japanese Vice Minister was requested to consider the French interests should the sale negotiateon be successful. The United States in a formal note to Chinese Government that they would be held reponsible for debts incurred upon the line prior to the Sino-Soviet treaty.

As the international relations of the railway are so complicated, a few words about its development may be of assistance to clearer understanding. The railway was originally built for the purposes of a Russo-Chinese Alliance which was never fulfilled. The necessary funds for the construction of the Railways were furnished by the Russian Government, and it was built under the direction and supervision of that Government, acting through the Chinese Eastern Railway Company. The French claimed that they have in possession many shares of the Company. According to the 1896 contract, China was to pay Tls. 5,000,000 to the Russo-Chinese Bank, and as soon as the line was finished and the traffic in operation the C. E. R. Company was to pay Tls. 5,000,000 to China. This was done simply to prove that China was a partner in owning the railway. After the Russian revolution, the Russo-Asiatic Bank, successor of the Russo-Chinese Bank, was nationalized by the new Russian Government. Although the headquarters of the Bank was reestablished in Paris under French auspices, its claim over the shares of the railway was denied. The railway, on the other hand, was to be acquired by the Russian and the Chinese Governments. The activities of the White Russians in Manchuria blocked the Soviet Government from assuming control over the C. E. R. The Chinese Government at Peiping was then under the control of the Anfu Club which concluded in 1920 an agreement with the Russo-Asiatic Bank, backed by the French Government. China agreed to run the C. E. R. jointly with the repesentatives of the Bank. This Bank agreement was terminated in 1924 when the Soviet Government was firmly established at Moscow and it concluded a treaty with China. According to this Sino-Soviet treaty of Peking, the railway became a joint Sino-Soviet enterprise, under Soviet management and with a Board of Directors of which the Soviets appointed five and the Chinese four and a president. The Soviet Government not only gave China a half-interest in the railway, but relieved her of all responsibility in connection with other claimants, the Soviet agreeing "to be responsible for the entire claims of the shareholders, bond-holders, and credits of the Chinese Eastern Railway incurred prior to the Revolution of March 9, 1917." Except the Sino-Soviet clash in 1929, the status of the railway under joint management and control technically remained undisturbed until 1931 when the Japanese seized North Manchuria by force. The present negotiations concerning the sale of the railway between the Soviet Union and Japan simply continue the latter's policy of putting the C. E. R. under the unified control of Japanese militarists and capitalists.

The negotiations concerning the disposal of the C. E. R. opened in June, 1933 at Tokyo. The Japanese tactfully presented themselves as observers exercising

the function of good offices. This Japanese tac brought the Soviet delegates to negotiate directly with the "Manchukuo" delegates, hoping that the Soviet recognition of Manchukuo, - *de facto* if not *de jure* - is implied. The Japanese also play the game behind the screens so that the "Manchukuo" delegates may stiffen their attitude toward the Soviets. In case of deadlock, the Japanese may freely step out to render the service of a mediator. They are certainly skillful in avoiding the odor of acting as protector of "Manchukuo," but the world is not to be fooled.

In the Tokyo Conference, M. Yurenev, Ambassador to Tokyo, M. Kouznetsoff, Assistant Director-General of the C. E. R., and M. Rauzrovsky represented the Soviet Union. "Manchukuo" was represented by Gen. Ting Hsih-Yuan, Minister to Japan, and Mr. Chinchi Chashi, Foreign Vice-Minister of the puppet state. Mr. Nishi, of the Trade Bureau of the Japanese Foreign Office, and Lient. Col. Col. Suzuki, of the War Office, were present as Japan's observers. The pivotal question that faced these delegates was naturally connected with the real value and price of the railway.

According to a neutral report, the railway, including the branch line from Harbin to Changchun, has a total mileage of 1,073 miles. It was built at a cost of Rbls. 410,300,000, possessing in 1930, 510 locomotives of all classes, 638 coaches and 9,218 freight cars. In 1929, the railway's revenue was Rbls. 70,255.000 and its expenditures amounted to Rbls. 32,764,000; leaving a profit of Rbls.37.491,000. In the subsequent year, the figures generally decreased when the revenue of the railway amounted to Rbls.49,000,000 and expenditures to Rbls.28,629 000; leaving a gross profit of Rbls.21,000,000. After the Japanese applied various means of paralyzing the railway, its revenues and expenditures greatly decreased. In the long run, the C. E. R. cannot compete with the consolidated force of the S. M. R. which has all the railways in Manchuria in its control.

At Tokyo, the Soviet delegates asked a price of Y.800,000,000 for the sale of the C. E. R. In a statement made at the Tokyo Conference, the Soviets declared that the following are to be sold to "Manchukuo":

1. "The main line of the C. E. R., comprising 1,726 kilometres, the subsidiary lines totalling 2,500 kilometres, and telegraph lines totalling 2,576 kilometres.

2. "Locomotives, cars and other materials belonging to the C E. R.

3. "Buildings used for the railway and railway passengers, the total area of which is 1,199,000 square metres."

The Soviets also declared that "as the result of the sale of the railway, the Soviet will relinquish all rights and interest under existing treaties." It was agreed that the C. E. R. is an important part of European-Asiatic communications and its service should not be discontinued.

The "Manchukuo" delegates declared that their government "cannot possibly say more than Y.50,000,000 for the Soviet share of the railway and no compromise can be expected." A lengthy statement of the Manchukuo government was read by Gen. Ting Shih-Yuan, the gist of which is as follows.

(1) "Manchukuo announces that it has the right to use its proper sovereignty against the C. E. R. and its employees.

(2) "The price of the C. E. R. should be based on its practical value and future prospects, therefore, Manchukuo cannot accept the Soviet offer, which was based on Article I of the Soviet-Mukden Treaty."

Both Soviet and Manchukuo delegates are refusing to yield and there is no sign of compromise at present. Negatiations went on in July and August, but they resulted in deadlocks. Japan offered mediation, but her efforts proved ineffective and fruitless.

Soviet international relations in the meantime turned in her favor. The diplomatic isolation of the Soviet Union was raised by the development of friendly relations between her on one hand and France-Poland and Turkey on the other. After the Soviet Union peacefully settled her dispute with Great Britain concerning the British engineers in Russia, M. Litvinoff crowned his year's successes in diplomacy with the American recognition of his country, Japan, on the contrary, plunged into naval rivalry with the United States. Her defiant attitude toward the League alienated many of her old-time friends, such as Britain and France. Japanese goods which undersold the goods of other countries in the markets of the world were rejected in India and other parts of the British Empire. The position of diplomatic isolation, formerly occupied by the Soviet Union, has now been assumed by the Japanese Empire.

While the Japanese are now waiting for the Soviets to cut down their price for the sale of the railway, the Soviets gradually adopted a militant attitude in regard to Japanese aggression in the Far East. The policy of the Soviets in May, 1933 was raher different from what it is now. In September of last year, the method of sabotage was applied by the Soviet workers on the railway. The Soviet authorities were busy in doubling the tracks between Lake Baikal and Vladivostok. The Amur Railway which runs entirely within the Soviet territory became increasingly important. Fortifications and aerodromes were rapidly built on the borders between Soviet Russia and North Manchuria. The Red Army was constantly concentrated on the Siberian frontier. Harbin already felt the atmosphere of war.

On October 8, the *Tass* news agency suddenly published in Moscow a number of documents showing that the Japanese were preparing for the seizure of the C. E. R. These documents threw full light on the rôle of Japan in the latest developments in Manchuria, and refute the official declarations about the independence of Manchukuo, and about the Japanese Government's alleged standing aloof from the predatory activities carried out under the Manchukuo flag. In particular, these documents make it quite obvious that the arrest of Soviet employees of the C. E. R. by no means

followed as a result of any misdemeanour on their part, but was undertaken as the beginning of the realization of the predatory plans adopted at conferences in which the Japanese military command and the Japanese officials of Manchukuo took part. The revelation of these documents aroused sensation in Japan and other parts of the world. Although the Manchukno officials denied their official authenticity, the documents continue to be referred to in the papers. The foreign office at Tokyo was so nervous over these publications that it called the Soviets as "bark,ng dogs", a term which Moscow greatly resentad.

In connection with the 16th anniversary of the Bolshevik revolution held on November 6, M. Molotov, chairman of the Soviet Council of People's Commissars, made startling statements in an address before an important conference of Morcow Soviets. The Soviet policy in the Far East, M. Molotov said, was directed towards peaceful relations with their neighbors, but they must reckon with events in Manchuria, and the fact that agreements concluded with the Soviets had been violated. In his Speech, M. Molotov also referred to the plans of some Japanese statesmen in reference to the seizure of Siberia and the near coast region, which he regarded as ridiculous. He declared that the Soviet had strengthened the Red Army, and, in case of attack, would do everything to ensure that the Red Army obtained a complete victory and the full destruction of its adversary.

In the midst of his speech, M. Molotov recalled that some Japanese military leaders were alleged to have declared that war without a preceding declaration was preferable to a declared war. "With this situation in view, Soviet Russia must be and is prepared to repulse a sudden attack." He warned the Soviets, "We cannot ignore the Japanese attempts to disregard the agreements that already exist. We will continue to unmask all such attempts." In closing he said: "I wish to repeat that we regard Japan as the real master in Manchuria and we will hold Japan responsible for anything that takes place there." Following the enunciation of the Soviet position in such a millitant manner, negotiations between Japan and Soviet Russia cannot possibly reach a successful end. Japan was naturally stirred by the Moltov address. At the close of 1933 and during the first two weeks of this year, a number of violent speeches were made by important Soviet leaders - Stalin, Molotov, Litvinoff, Vorisholoff, - before the session of the Central Executive Committee. All of them denounced the Japanese aggression in clear and sharp languages. The leaders have unanimously emphasized the fact that the Red Army is well prepared and that it would resist foreign aggression with all its strength. While the Soviet statesmen made unnecessarily strong statements inciting the feeling of the Japanese, the latter, more reserved, do not, however, show any real improvement in their methods of dealing with foreign countries.

Out of this long and serious struggle over the C. E. R. between Russia and Japan, there has developed in these two countries mutual suspicion toward each other's actions in their respective territories and spheres of interests. The competition of these countries for trade opportunities in Manchuria was keen. The Japanese who now control Manchurian customs can easily undersell the Russian goods. The Soviets, after resumption of diplomatic relations with China, are suspected of assisting the Chinese in their task of overthrowing the puppet state. The Japanese, after they seized the control of the municipal administration of Harbin and other cities along the C. E. R., are thought to have been instigating the white Russians to organize themselves for the purpose of a reactionary revolution against the Red supremacy. The Soviets protested againist the flight of Japanese planes over their territory, and the Japanese warned the Red Army tc withdraw from the border. The war atmosphere is tense in North Manchuria. It is both the internal developments and international politics that have cautioned the statesmen of the two countries from adopting war steps. The fundamental solution of the problem and the preservation of peace in the Far East depends upon the adoption by these two governments of reasonable foreign policies.

2 3 4 3 9 0 4

0764

ASSOCIATED BOARDS

file copy -

BULLETIN

ON

CHINA'S FOREIGN RELATIONS

(AND PUBLIC EVENTS IN THE FAR EAST)

Table of Contents

1. The Draft Constitution of the Chinese Republic

2. Two Years of National Reconstruction ----- Wang Ching-wei

3. Silver Menace ----- L. C. Cheng

4. The Judicial Progress in China ----- Shih-fun Lin

Vol. II, No. 3. *March 15, 1934*

PUBLISHED MONTHLY BY

THE INTERNATIONAL RELATIONS CLUB

NANKING, CHINA

(ADDRESS: UNIVERSITY OF NANKING, NANKING)

0765

THE DRAFT CONSTITUTION OF THE CHINESE REPUBLIC

The draft constitution of China which has been in preparation by the Legislative Yuan for about a year was made public on March 1, 1934. The drafting work was pursued in accordance with the "National Reconstruction Program" laid down by Dr. Sun Yat-sen. It was the Fourth National Congress of the Kuomintang which authorized the Legislative Yuan to have the work done at this juncture. This draft constitution is now before the people who are requested to pass comments on the contents. After it is publicly criticized, the draft will be revised by the Legislative Yuan according to reasonable public opinion. Then the constitution will be submitted to a popularly-elected National Convention in which the constitution will be formally considered and adopted. China will then enter the constitutional stage of the revolutionary program as scheduled by Dr. Sun.

The draft constitution is an elaborate document of one hundred and sixty articles, divided into nine chapters. Important features are provided, making this constitution distinct from existing constitutions of the world. Some provisions deserve careful analysis. Article 1 of Chapter I provided that the Republic of China is a Republic of the Three People's Doctrine. The territory of China (article 4) is clearly defined, including Manchuria, Jehol, Mongolia, Sinkiang and Tibet. China's territory cannot be changed without the consent of the National People's Congress. This article implies that the Japanese *fait accompli* in Manchuria and Jehol can never be recognized, and hereafter no country can easily seize China'a territory.

Chapter II is a bill of rights. It includes, however, several articles defining the duties of the people. The rights and duties of the people are to be enjoyed and fulfilled, respectively, according to specified laws. The principle of *habeas corpus* was recognized in article 8. All laws purporting to suspend or limit the rights of the people must be based upon the needs of social order and public welfare. Thus individual rights and liberty are safeguarded against military and political usurpation of powers. All the ten articles of Chapter III are devoted to the realization of economic and socialist principles. Dr. Sun's teachings of the people's livelihood will be, according to article 24, the basis of China's new economic system. Private property will be protected, but land will be re-evaluated with the purpose of taxing unearned increment and also of helping small land-owning farmers. Various methods aiming at a more proper distribution of wealth are devised for the welfare of the people. Most of the important principles of social legislation are adopted for protecting the interests of both capital and labor; emphasizing their mutual reconciliation.

Chapter IV (thirteen articles) is on education. Article 34 says that the Three People's Doctrine of Dr. Sun Yat-sen will be the fundamental principle of the education of Chinese Republic. Popular and compulsory education is provided in article 37. Private educational institutions of good standing are to be encouraged and subsidized by the Government. It is provided in article 40 that the minimum amount of national education expenses should be equivalent to fifteen per cent of the budget of the Central Government. In various provinces and *hsien*, thirty per cent of their budgets should be, respectively, set apart for educational purposes. These provisions are important, because they put up a limit to the unproportional expansion of military and other expenditures which usually hinder the progress of education.

Chapters V to IX inclusive provide for the various grades of governmental organizations, central, provincial and *hsien* district. The supreme authority of the country is vested in the National People's Congress consisting of one delegate from each of the *hsien* and municipalities regardless of their size and relative importance. In China where population census cannot be accurately obtained, the principles of proportional representation may not be easily carried out. The National Congress will have the powers of electing a president, a vice-president, the presidents of the three different yuan, and the members of legislative and control yuan. This Congress will be elected and convoked once every three years; and its session will last not more than a month. At its adjournment, a people's commission composing twenty-one members and ten alternatives will be organized. This commission will represent the National People's Congress in exercising its political powers over the government.

The National Government will be composed of the President of the Republic and the five Yuan, all of whom will be responsible directly to the National People's Congress. The legislative powers of the Central Government including foreign affairs, national defence, currency, naturalization, civil and criminal law, and so on are carefully listed in article 61. The legislative functions will be performed by the Legislative Yuan consisting of two hundred members to be elected by the National People's Congress. The provincial government, according to the draft, will be composed of a provincial assembly and a provincial governor to be chosen by the assembly from amongst five nominees of the Central Government. The *hsien* district will be the principal unit of local self-government. In the *hsien* as well as in the municipality, there will be, respectively, a popularly-elected district council and municipal council. The magistrate of the *hsien* district and the mayor of the municipality will also be elected directly by the people.

This draft of the proposed permanent constitution for the Republic of China is a well-prepared document. While the drafting committee has been aware of the advantages of various systems of other countries, the members are not blind to the conditions existing in China. Most of the articles signify the fact that the committee did not swing the pendulum to any of the extremes. In enumerating the powers of the Central Government, the committee has definitely provided for local self-government. The new President will not be given undue powers in the control of the government, but he will be regarded as the sole representative of the country. The National People's Congress, being an overwhelmingly large body of about two thousand

2 3 4 3 9 0 4
0766

delegates, is only to meet one month every three years. Perhaps the people's commission, referred to above, in order to represent the people, should consist of more delegates elected by the Congress. In the new economic system, both private initiative and collective enterprise are recognized. The rights and duties of the people are also to be limited by laws of the Central Government.

It is probably wise to adopt only moderate principles for the improvement of political, economic and social life of the country. China will have to overcome enormous difficulties before a permanent condition can be firmly established. The people must be thoroughly educated in the exercise of their constitutional rights and duties. Faithful and competent officials, particularly impartial and authoritative judges, must be appointed to apply and interpret the various provisions of the new constitution. After all, the leaders of the Central Government must fully realize the significance of a constitution and be ready to uphold it whenever there is an attempt to destroy its authority.

TWO YEARS OF NATIONAL RECONSTRUCTION

By Wang Ching-Wei, President of the Executive Yuan

General Chiang Kai-shih and myself on February 11 issued a joint circular telegram reiterating the importance of suppressing Communist-banditry and the promotion of productive reconstruction as essential conditions for the salvation of the nation and preservation of the race. Under the able direction of General Chiang at Nanchang and supported by the loyalty and bravery of the Bandit-suppression forces, the anti-Communist campaign has made considerable progress during the past year. In addition to the superior military tactics of the Government forces, the construction of a chain of block-houses and the building of highways have contributed much towards the success of the bandit-suppression operations. The net-work of highways constructed by the Government has neutralized the effect of the guerilla tactics pursued by the Communist bandits, and if we continue to deal with them in this manner, I believe success will soon attend the Government's efforts to suppress Communist activities.

The work of productive reconstruction, however, calls for the employment of not only men of talent but of material supplies. Owing to the impoverished state of the country, only a few things have been done in this direction, though many other projects of this nature are demanding the attention of the nation. This naturally causes some people to feel discouraged, and it is even said at times that productive reconstruction is no more than an empty phrase. It must be remembered, however, that the various Government organs are merely supplied with maintenance expenses, and are not given sufficient funds for the active work of national reconstruction. During the Government's campaign against the Communist bandits, even the Government forces are not supplied with "reconstruction funds," and due to the large number of soldiers employed in these operations, maintenance expenses are often insufficient to meet their requirements.

Optimism Premature

These are undeniable facts, and it is therefore premature to take too optimistic a view regarding the future of the Government programme for the productive reconstruction of the nation. At the same time, however, the promotion of natural productivity being the only way to develop the strength of the people and consolidate the national vitality, we must do all within our power for the fulfilment of this important mission. Owing to lack of material resources, the work of productive reconstruction should proceed on a modest, if not large, scale; if we cannot undertake any new projects, we should at least complete the old ones; if we cannot make active efforts for the reconstruction of the country, we should at any rate remove all obstacles to such efforts. We should, in short, devote untiring efforts for the accomplishment of this task, since great deeds are often performed by the accumulation of small efforts. It has been well said that rivers are formed by the accumulation of drops of water, and that mountains are formed by the accumulation of grains of sand. We must therefore persist in our efforts, and never allow ourselves to give way to despondency.

The Government does not claim to have made any great achievements during the past two years, but we have consistently made it our duty to carry out the programme of national reconstruction so far as possible. This can be proved by a review of the Government's efforts at the developments of the national railway system and the general system of communications, from which it will be seen that productive reconstruction has been much more than a phrase, and has been actually carried into effect, and will be steadily pursued. It is, of course, impossible for me to review all our achievements in the field of productive reconstruction in this brief survey, and I shall cite but two examples.

First of all, let us take the development of the national railway system. Railways serve as the life-giving veins of a State, similar to the bloodvessels of a human being. During the past two years, the Government has been devoting its attention to the accomplishment of two tasks, namely (1) the construction of new railways and (2) rehabilitation of old lines. While it is difficult to recondition all the railways that have fallen into a state of dilapidation as the result of long neglect in years past, this work is an essential condition to the construction of new lines. The Government, therefore, has decided to proceed with these tasks simultaneously. While the completion of the railway net throughout the country on a large scale will of course require a number of years, the Government will not shirk this responsibility on the excuse that material resources are lacking.

Railway Progress

Among the more important railways in course of construction during these two years may be mentioned the following (1) the Canton-Hankow Railway which

has been left uncompleted for the past 23 years but which will be finished within the next three years; (2) the extension of the Lung-Hai Railway to Shensi and Kansu, which will be in operation as far as Sian on or about National Independence Day (October 10) this year; and (3) the Chekiang-Kiangsi-Hunan Railway, on the lower reaches of the Yangtze River. While the Canton-Hankow and the Lung-Hai Railways are lines which had been left half-completed, the Chekiang-Kiangsi-Hunan Railway is an entirely new line. When completed, the Canton-Hankow Railway will become the central trunk line connecting North and South China; the Lung-Hai Railway will facilitate the development of the North-West; the Chekiang-Kiangsi-Hunan Railway will bring about closer economic and cultural relations between the South-Eastern provinces. In addition, harbour-works have been built at Laoyao, on the Lung-Hai line; the North Station at Shanghai, on the Nanking-Shanghai line, has been reconstructed on improved lines, the Pukow railway-ferry service has been inaugurated; and the Hangchow-Kiangshan Railway in Chekiang is in operation. In addition to these achievements, innumerable improvements have been made by provincial and private interests for the development of the railway system, and though these are of less significance than the construction of the three main lines mentioned above, they have an important bearing on the development of the national railway system.

The construction of railways obviously necessitates the expenditure of a substantial amount of money. Realising the economic backwardness of the country, the late Party Leader (Dr. Sun Yat-sen) advocated a policy of inviting foreign capital for investment in Chinese railway enterprises. That policy we adhere to, fully realising that, in order to attract such investment, we must give adequate security, at the same time maintaining the credit of the Railway Administration in regard to existing obligations. The Government therefore is paying close attention to this matter of credit, Under specific conditions, the Government will not only welcome foreign economic co-operation but will exert all the influence within its power to safeguard the interests of its creditors. Although the Government is not in a position to repay at once the defaulted instalment of the railway loans, it is determined to make satisfactory arrangements for their adjustment, subject to proper safeguards for the protection of the mutual interests of both the railways and the creditors. During the past two years, it has devised practicable measures for the amortization and readjustment of some of the domestic and foreign railway loan obligations. These are divided into three categories namely (1) railway financing (2) obligations for railway supplies, and (3) short-term loans. In the first category are included the obligations of the Tientsin-Pukow, Nanking-Shanghai, Shanghai-Hangchow-Ningpo. Taokow-Chinghua, and Kaifeng-Loyang Railways. Measures for repayment have been devised, and some have already been carried out. The obligations of the Peiping-Liaoning Railway have been fulfilled according to the terms of the agreement. During these two years the obligations for materials supplied in the past to the railways have been readjusted and definite arrangements for settlement of obligations amounting to $100 millions have been made with the British and American creditors. The short-term loans, forming the third class, are mostly contracted from Chinese banks; measures from their amortization have been devised, and some have already carried out.

Causes of the Fault

It is true that not all the railway obligations of the Government have been so readjusted and amortized, but if we continue to follow the policy now being pursued, the day will come when we shall have amortized all our obligations. Foreign creditors have been criticizing the Government for failure to pay off its obligations on maturity. While this failure is regretted, we wish to call the attention of our creditors to the following two points: In the first place, the failure of the Government to liquidate its obligations has sometimes been due to sudden and unexpected turns in the political situation. Such things happen not only in China, but also in America and Europe, and we cannot blame any one party or circumstance for such failures, since their causes are complicated. For instance, with the outbreak of the World War in 1914, various foreign financial groups failed to fulfil the terms of their loan agreements entered into with the Chinese Government, with the result that construction work on several railways in this country was suspended, and in consequence heavy financial loss was sustained by the Government, since interests on the instalments already advanced had to be paid. While our creditors cannot be wholly blamed for this, it is also true that the blame cannot be laid entirely at the door of the Chinese Government. Again, due to the world-wide economic depression and depreciation of silver, the financial obligations of the Government have been largely increased, while at the same time railway revenues have considerably decreased. Since the economic depression and its various reactions are like a natural catastrophe against which no country can offer effective resistance, it is scarcely fair to put the blame on China alone.

In the second place, it should be understood that the Government has no intention whatsoever of evading repayment of its matured loans, and is anxious to find ways and means of meeting its obligations, but the first essential is a general revival of railway business. With increased revenues available, the interests of creditors will be more fully protected, and it is hoped our foreign creditors will co-operate with the Government to this end. The best proof of the determination of the Government to pay off its foreign railway obligations is afforded by the fact that during the last two years it has discharged a number of such obligations thereby showing not only its desire but its ability to carry out its pledged word. If our foreign creditors realise these facts, and recognise the difficulties with which the Government is faced, their sympathetic co-operation will promote the interests of both parties.

Let us now turn to the efforts of the Government during the past two years for the development of various general communication facilities. The most important achievements have been effected in the following directions, (1) postal service, (2) telegraph service, and (3) shinping. Recently civil aviation has also become an important branch of the Government's work in promot-

ing the development of general communication facilities.

With reference to improvements in the postal service I may point out that a mail service has been in operation in China for the past sixty years, and has been generally efficient, a large postal revenue being collected every year. The Government has attempted to further improve and extend the service, but owing to serious floods and Communist disturbances, as well as the North-Eastern crisis, development of the postal service has had a severe set-back. A loss of $10,000,000 was sustained, and the internal organisation of the service was seriously dislocated. The Government during the past year has made vigorous efforts to effect a readjustment of the service, with special reference to improvement of the postal remittances and saving service. In the existing circumstances, the Government has been compelled to adopt a strict policy of retrenchment in the postal service, while simultaneously making plans to increase the postal mileage and postal agencies. According to reports submitted by the Directorate-General of Posts at the end of June, 1933, there were 12,000 post-offices and 32,000 postal agencies throughout the country, with a postal mileage of 490.000 kilometres. Plans are being devised for the establishment of more post-office and an increase of postal mileage by at least 5 per cent, as well as an extension of postal service to the border provinces during the current year.

Post-Office Reform

In developing the postal remittances and saving service, the aim of the Government has been to safeguard the interests of depositors. For this purpose, plans have been made to place the Postal Remittances and Savings Bank under the jurisdiction of the Postal Administration, at the same time preserving its accounting integrity. A supervisory system will be created to make public the accounts of the Bank, and severe restrictions will be imposed on investments by the Bank. All these measures will be formally adopted by the Legislative Yuan, but some are already in force, and public confidence in the postal remittance and savings system has been greatly enhanced. Moreover, the Government has ordered the refund of deposits to those who resided in the North-Eastern provinces (in spite of the forcible seizure of the postal remittances and savings banks there by the Japanese). This has further increased public confidence in the system. Following the Japanese invasion of Shanghai on January 28, 1932, the business of the Postal Remittances and Savings Bank declined considerably, but it has since returned to normal, and is increasing rapidly, but this turn in the business fortune of the Bank has not been brought about without considerable effort.

The achievements of the Telegraph Administration during the past year have been in two directions, namely international and inter-provincial service. The former service was formerly operated entirely by cable, but since the inauguration of the great wireless station at Chenju, we have been maintaining communication with the United States, France, Germany, Switzerland, Manila, Java, Saigon, and Hongkong. The agreements with Great Northern, Eastern Extension, and the Commercial Pacific Telegraph Companies, have been revised, thereby effecting the recovery of our cable rights. New wireless circuits to America and Soviet Russia have been inaugurated, and a special radio station for direct service between China and Great Britain has been established to facilitate commercial transactions between the two countries. The station was established in a very short time, and its service has been very satisfactory. Another large wireless station, similar in size to that at Chenju, is being constructed at Loyang (Honan), and will be completed in the near future.

In regard to telegraphic communication within the country, the Government has devoted immense effort to repairing lines damaged during the various civil wars. Up to date a total of 12,000 li has been repaired and 5,000 li new routes have been opened including the Hankow-Chengtu line, covering 2,500 li. This is an important line connecting Central China with Szechuen and Tibet and will be completed shortly. Out-of-date appartus used in fifty districts has been replaced by new and modern instruments to facilitate the transmission of messages. Wireless stations were formerly established only in a few of the more important centres, but in order to bring about closer relations between the border territories and China Proper, efforts have been made to extend wireless facilities to such remote provinces as Shensi and Mongolia. A wireless station was established last year at Sian and another at Kalgan (Charhar). The Sian Station is intended for the development of the North-Western provinces, while the Kalgan station serves to promote closer relations between the Mongolian population and China Proper. It was originally planned to establish eight wireless stations each in Sinkiang province and in western Mongolia, but owing to the unsettled situation in those regions the plans of the Government have been impeded. Nevertheless, stations are being established in other border areas, including Charhar, Suiyuan, Kansu, Chinghai (Kokonor), Ninghsia, Szechuen and Hsikang, and will be completed within a year.

With regard to the telephone service, attention has been paid during the past year to the development of the long-distance and city connections. Plans have been devised and carried out of centralized control over the long-distance system, and measures are being devised for converting city telephone services into a State enterprise. A set of regulations has been promulgated governing the operation of long-distance services by various Provincial authorities which does not, however, conflict with the fundamental plan for unified control over the telephone system by the Central authorities.

Long Distance Telephones

During the past year plans were completed for the installation of Long-distance telephone services connecting Nanking with Hongkong, Tientsin, and Hankow. Construction work on the Nanking-Shanghai line, along the Nanking-Shanghai Highway, is nearing completion, while the Nan-Fu (Nanchang-Fuchow) and the Peiping-Charhar lines are already in operation. Plans have been also devised for the operation of telephone services in the provinces of Kiangsu, Chekiang, Anhwei, Honan, Shantung, and Hopei by utilising the telegraph wires and posts already installed in those provinces. Over 300 districts in the above-mentioned provinces are now connected by telephone. It is also planned to establish a telephone network in the province of Kiangsu, the first stage of the programme being already under way. Measures were also adopted last year to improve the telephone service in a number of cities, including Shanghai, Wuchang, Hankow, Tientsin, Tsingtao, Soochow, Chengchow, and Chinkiang. The service in Shanghai is by far the most modern and efficient system in the country. Wireless telephony will be shortly operating in Nanking, Hankow, and Foochow, while an international wireless-telephonic service will be inaugurated in the near future.

The situation in the shipping business is a source of national humiliation, both inland and coastal shipping service being still monopolized by foreign interests. The Chinese merely operate two ship-yards—the Kiangnan Dock and the Mamoi Dock—and the China Merchants Steam Navigation Company. Though the C.M. S.N. Co., has a history of over 60 years, its business has steadily declined owing to mismanagement. There are very few shipping companies operated by private interests. Construction work requires a substantial sum of money, since every ship represents a value of several million dollars. The Government deemed it expedient to take over the China Merchants' Company and convert it into a State-operated concern. The shares of the Company were bought up by the Government, and a receivership committee organized to arrange for the conversion. Since being taken over by the State, the Company has made considerable progress and improvement, as evidenced by the fact that in the course of the first six months of last year (1933), its total receipts amounted in round figures to $3,660,000—representing an increase of 30 per cent, over the corresponding period of the preceding year (1932), Simultaneously, efforts were made to repair old and dilapidated ships, warehouses and wharves, as well as to purchase new vessels, including four ocean liners for the Shanghai-Hangkong-Kuangtung route, and three river steamers for the Shanghai-Hankow-Ichang route. These new ships will be in service by the autumn of this year.

Let us now review the achievements of the Government in the field of civil aviation. Two air mail and passenger services are being operated, under the Ministry of Communications, by the China National and Eurasia Aviation Corporations. Whereas, before 1933, the air services of the China National Aviation Corporation only consisted of the Shanghai-Hankow and Shanghai-Peiping routes, the efforts of the Government to develop the service have resulted in an extension to Chengtu, thereby inaugurating a new air route to Szechuen province. Moreover, the former Shanghai-Peiping service, which was later suspended, has been transformed into a coastal air service. An entirely new route—the Shanghai-Canton Airway—has also been inaugurated, and efforts are being made to open a new route from Chengtu to Kueiyang (Kueichow) and Yunnan, a test flight on this route having been already made.

The service operated by the Eurasia Aviation Corporation connects Shanghai with Techeng (Sinkiang), whence it will connect with Berlin via Soviet Russia. It is to be regretted, however, that the Shanghai-Tihua-service, which had been in operation for a few months, has been suspended owing to the unsettled situation in Sinkiang province, the service, now only reaching Lanchow, provincial capital of Kansu. Plans are being made for the early resumption of the service.

Besides the above-mentioned air routes, the Corporation has also inaugurated several branch airways, including the Lanchow-Sining (Ninghsia), the Tihua-Ili and Tihua-Tashkent routes. The Sian - Peiping route is already in operation, while measures are being adopted for the inauguration of a Canton-Hankow-Sian service, tests flights on the Canton-Hankow section having proved successful. Commercial service on this section will be inaugurated as soon as the aerodrome in Canton is completed.

Fourfold Policy

I have thus far merely reviewed some of the outstanding achievements of the Government in developing the postal service, telegraphs, merchant shipping, and civil aviation. The foundamental policies of the Government have been four-fold. Firstly, it has attempted to readjust the organization of these systems, abolishing and amalgamating those organs which are either superfluous or inefficient, in order to increase their efficiency. This is especially true in the case of the telegraph service in which efforts have been made to amalgamate the telegraph and telephone organs, and the telegraph and wireless organs. Plans have also been made for the amalgamation of post-offices and telegraph-offices in small districts, so as to form a more unified system of communication. Measures in this regard have already been officially announced, and are being enforced.

In the second place, general communication enterprises being of a commercial nature, efforts have been made to introduce a new accounting system into their operation, with the object of making them self-supporting as well as facilitating their eventual expansion. Both Chinese and foreign chartered accountants have been engaged with a view to publishing the accounts of the various organs concerned. This has also been done in the China National Aviation Corporation, the Eurasia Aviation Corporation, the various post-offices, the Postal Remittances and Savings Bank, the China Merchants' Steam Navigation Company, and the Bureau of International Telegraphs, as well as other telegraph and shipping organs.

In the third place, efforts have been made to improve the efficiency of the personnel of the various organs concerned. Thus, the postal administration has during the past year taken appropriate steps for the rationalization of postal management, while the telegraph organs have also adopted measures for the elimination and dismissal of those employees whose efficiency is not up to standard. Plans have been also devised for the reduction of communication charges, so as to meet the needs of the general public.

In short, it has been the aim and endeavour of the Government during the past year to modernize., commercialize, and convert into proud State enterprises, the Postal, Telegraph, Shipping and Aviation services. For the realization of this task, it has spared, and will continue to spare, no efforts in spite of the various difficulties involved. Such being the work and aspira-

tion of the Central authorities, it will be seen that the Governments's advocacy of the promotion of productive reconstruction, is not merely an "empty phrase." On the contrary, it represents the considered and settled policy of the Central authorities, for the realization of which the efforts and co-operation of the entire nation will be enlisted.

With regard to our foreign relations, I may mention that the Government has been severly criticized by some people for its so-called "weak-kneed" foreign policy. The Government prefers not to reply to these criticisms for two reasons. If the charge is made in good faith, the Government is not disposed to argue the point. On the other hand, if it is made with malicious intent, then it is not worth a reply. However, the Government is ready to admit that it is weak and powerless. To rectify this weakness, there is only one thing to be done—to develop the strength of the people and consolidate the national vitality, which cannot, however, be achieved except by productive reconstruction. On this depends our ability to resist foreign aggression. Only when we are in a position to fight other people shall we be regarded as fit to be their friends; and unless we are fit to be their friends, we cannot be their enemy. All this, however, depends on one thing, namely, *force*. The nation must abandon all conceited ideas. Unless we do so, we cannot expect international sympathy for our cause. If I were asked what should be our foreign policy under present circumstances, I would reply; Settlement and improvement of the domestic political situation must be the watchword of China's foreign policy; for only when we have put our domestic affairs in order will people be willing to become our friends. To appeal to outsiders for help at this hour merely adds to our national humiliation; while to seek to array them against one another is merely to invite our own destruction, Foreign relations being merely one aspect of our domestic affairs, we are convinced that only by an improvement of the domestic situation can the nation hope to solve its diplomatic difficulties and overcome our national weakness.

SILVER MENACE

L. C. Cheng (鄭林莊)

Silver, as monetary standard, has constantly been a perplexing problem to the Chinese public. It is only some three years ago that the depreciation of the white metal started in this country a strong agitation for the declaration of an embargo on the import of silver, or for the imposition of an import levy upon the metal. But today the Chinese Bankers Association in Shanghai has to send telegram to Washington as a warning against President Roosevolt's policy to enhance the price of silver and to dispatch petition to Nanking urging the government to suspend the ratification of the Nine Power Silver Agreement reached at the World Economic Conference in London last summer and to adopt measures just contrary to those popularly held three years ago.

The changing psychology of the recent agitation can easily be explained. For the past, with the only exception of the period during the World War, China has been an importer of silver. From 1926 and on, the annual net import is well over 100 million dollars. In the year of 1933, however, our silver import is actually exceeded by our silver export, to the extent of some 3 million dollars. The cause of the outflow of the white metal is held to the increased unfavorable trade balance of this country and the fall of prices in home goods. The gap between import and export prices in this country has mounted to enormous heights since 1930, during which the import surplus amounted to 622 million dollars. From then on the unfavorable balance rose to 786 million in 1931, 835 million in 1932, and 746 million in 1933. The fall of the price level in this country, especially the decline of those of agricultural products which compose the greater part of our exports, apparently accentuated the situation, besides the loss of the Three Eastern Provinces - - the only important section of the country whose exports are valued more than its imports. Therefore, any step likely causing further decline of prices of Chinese goods, a wider gap in her foreign trade, and, consequently, a heavier outflow of precious metals, would furnish a ground of alarm.

To the effect of the artificial enhancement of silver value by Washington, economists in this country differ in their opinions. A school of economists has inclined to the view that such move will accrue benefit to this country. They hold that cheaper silver in 1930 and 1931 led to China being obliged to exchange more native products for smaller quantities of imported goods with respect to former years, and therefore, a higher purchasing power of silver over commodities will enable her to exchange smaller quantities of exported good for bigger quantities of foreign goods with respect to former years. Besides, they also point out that, with the enhancement of silver value, Chinese manufacturers can buy cheap foreign machinery, thereby strenghtening their ability to compete against foreign producers.

The above arguments, however, are fallacious to another school of economists. They argue that depreciation of silver is not a sufficient cause of Chinese adverse trade position during these years, since during the years of 1932 and 1933, silver has appreciated in terms of major currencies and Chinese commodities but a favorable turn in our trade situation has not been in sight. They also combat that in a period of falling prices manufacturers are forced to reduce their output and resort to retrenchment, while in times of prosperity they are willing to pay a heigher price for capital goods as they get a good price for the products. It is quite clear that a mere change in purchasing power makes no difference to them.

Moreover, these pessimists insist that the rise of silver value will automatically increase China's imports. A country like China, with its hand-to-mouth economics, is the last which can stand for any length of time a marked predominance of imports over exports. Last year the balance had to be redressed - - though partially - - by the export of silver. If President

Roosevolt's effort to purchase silver be successful, there is good reason to believe that such outflow of the white metal will grow in amount. In addition to the influence of trade situation, a certain amount of silver must also leave this country in order to profit by the sudden and large rise in silver price abroad. As a result of these forces, prices of domestic goods must face a fall which must, in term, do harm to the economic structure of this country. Numerous farms, business firms, industrial concerns, and financial establishments have become insolvent throughout the whole country last year; and if with a still lower price level in prospect this year, more bankruptcies must be expected.

In the course of last year, there was a heavy flow of silver from the interior to Shanghai in payment of necessities supplied via Shanghai. In former years the farmer sent his export produce for the payment, but now nobody wants to buy from him. So he had to sacrifice his last reserves and exchange these for imports coming to China through the port. If such situation should last any longer, the quality of our race must be impaired. Therefore, that a sudden augmentation of silver value would accentuate such flight of capital from the interior to Shanghai is once more emphasized by this group of economists.

The present activity of the Chinese bankers in opposing Roosevolt's action on silver is not unwarranted. Firstly, being creditors of business and industrial concerns and also of the government, they must take the welfare of these debtors into consideration. Secondly, of about $512,000,000 worth of silver held by the banks in Shanghai, less than $240,000,000 are in the vaults of Chinese banks which must serve as reserve for well over $200,000,000 of deposits and notes in circulation. If, then, silver is used to make settlement of China's international adverse balance of payments, the present block is clearly inadequate. Hence Chinese bankers are alarmed over both the prospect of further drop in our price level and that of the outflow of the white metal.

The seriousness of the situation, therefore, makes immediate remedial measures imperative. Three courses are now opened to China. First, she can pursue deflation to the end. If this measure should be adopted the vested interests in this country, foreign and Chinese alike, must be prepared to lose the major portion of of their furtune and the government be prepared to face a more serious crisis. Secondly, China can reject the Nine Power Silver Agreement, sell all her silver to America, and go on either the sterling or gold standard at a very low parity. The ratification of the Silver Agreement by our government, however, is too clear to indicate that the government is not ready to pursue this course of demonetizing silver. Thirdly, she can impose an embargo upon the export of silver in order to counteract the further decline of Chinese price level. Up now this measure has been much emphasized by both industrial and political leaders, but that how effective could it be is quite doubted. The smuggling activities and the export of silver by foreign banks are possibly quite beyond the control of the government and, besides, there is always a danger of trading the white metal by the government in order to take the advantage.

The motive behind President Roosevolt's attempt to elevate the price of silver is clearly twofold - - to enable the silver mines within the country to open again and to enable the silver wtihout the country to raise its purchasing power over commodities. The effectiveness of his policy in response to the first point does not need our explanation here, but to the second point we like to call the president's attention only to the fact that China can not buy unless she can sell. It is plain that the president has not taken the weight of this point into consideration. Artificial measures do not usually respond to human commands willingly. If currency manipulation should prove temporarily successful, it seldom brings about a lasting prosperity. It is also true that our country need more fundamental treatment than mere monetary injection. Therefore, what we, the 400 millions here, sincerely expect from the president something which really enables us to do our part in the course of the world recovery.

THE JUDICIAL PROGRESS IN CHINA.

Shih-fun Lin (凌士芬)

I. Conditions before the Republic.

China had a glorious beginning in legal conceptions, which were superior to those which then existed elsewhere. The great setback was that she did not proceed continuously, but was followed with a long stationary period much longer than that of any other country, so that when the Treaty of Nanking was signed between Great Britain and China at the conclusion of the "Opium War" in 1842, Great Britain found a state of things in China inferior to those which then existed in her country. China was behind the times and did not know it. But the situation took a turn towards the end of the late Tsing dynasty. She then began to realize that it was necessary to harmonize her institution with the latest development in other countries. She therefore made a special effort to revise her laws and remodel her courts. As a result, new criminal and civil codes and schemes for the establishment of modern courts and prisons were drawn up. But before she went very far, the late Tsing dynasty met its fall.

II. Conditions during the former Peking Government.

Since the establishment of the Republic, the need for legal reform was even more keenly felt. Many laws were passed and modern courts and prisons established. Space would not permit an extensive survey of all these here. However, a word must be said about the Provisional Criminal and the draft Civil Codes.

(1) The Provisional Criminal Code.

The Provisional Criminal Code, which was drawn

up in the closing year of the Tsing dynasty, was promulgated on March 10th, 1912, the first year of the Republic, and was later revised. It introduced radical changes, and all brutal punishments, which had been the object of foreign criticisms, were abolished. It was framed after the continental system and adopted the most modern legislation.

(2) The Draft Civil Code.

The Draft Civil Code, which was also drawn up at the end of the Tsing dynasty, and which followed the arrangement of the German Civil Code, was re-examined after the establishment of the Republic, and was found inadequate in several respects. A committee for the compilation of codes was therefore formed and entrusted with the duty of preparing a new Draft. In 1916 the committee was reorganized. By mandate of the 13th of July, 1918, it was transformed into the Law Codification Commission with the Minister of Justice and Dr. Wang Chung-hui as Directors. The programme of the Commission included the revision of the Provisional Criminal Code mentioned above, the remodelling of the Draft Code and the compilation of codes of civil and criminal procedure.

The work on the Civil Code lasted several years. The Commission first compiled a draft in 774 articles including the General Principles (article 1 - 223) and the Book on Obligations (articie 224 - 744); then a draft on law of things in 310 articles; and finally two drafts on Family, one in 141 articles, one in 243 articles, and a draft on Inheritance in 225 articles. Although the rules laid down in these Drafts were tacitly observed by the courts, yet, unfortunately, owing to political events in China, they were not formally promulgated.

III. Conditions under the National Government.

Since the establishment of the National Government at Nanking, the movement for legal reform took even a stronger turn and many remarkable studies have been made.

(1) The New Criminal Code.

The New Criminal Code was enacted on March 10th, 1928. It showed great improvement upon the Provisional Criminal Code of 1912. For example:

1. The Provisional Criminal Code is silent upon what constitutes "criminal intent" and negligence; but these are adequately defined in the New Code (article 26).

2. In the imposition of heavier punishment in aggravating circumstances, the Provisional Criminal Code is also silent upon what constitutes these circumstances, but the New Code clearly provides, "Where an increased punishment is prescribed on account of certain specified results, the increased punishment shall be inflicted only if such results could have been foreseen by the accused." (article 29).

3. While the Provisional Criminal Code fails to make specific provisions concerning self-defence and self-protection to avoid imminent danger, the New Code lays down explicit limitations (articles 36 and 37).

4. The various degrees of punishment for a term of imprisonment laid down in the Provisional Criminal Code have been abolished; only a fixed term from 2 months to 15 years with a latitude of increasing it up to 20 years and decreasing it below 2 months according to circumstances is given in the New Criminal Code. (article 49.)

5. The period for probation has been changed. According to the Provisional Criminal Code, it is from three to five years, but the New Criminal Code reduced it to two to five years (article 90).

6. The condition for parole has also been changed. According to the Provisional Criminal Code, the prisoner must serve in the plenitentiary for three years before he can be paroled, but the New Criminal Code reduced it to two years (article 93).

(2) The Civil Code.

As regards to the Civil Code, Book I dealing with General Principles was promulgated on May 23rd, 1929, and came into force on October 10th, 1929; Book II dealing with Obligations was promulgated on November 23rd, 1929, and came into force on May 5th, 1930; Book III dealing with Rights over Things was promulgated on November 30th, 1929, and came into force on May 5th, 1930; and Books IV and V dealing with Family Relations and Inheritance respectively were promulgated on December 26th, 1930, and came into force on May 5th, 1931.

The spirit of the Code is an adaptation of the best of the Western jurisprudence to the needs of modern China. Many innovations of modern civil codes o European countries, principally that of Switzerland, have been inserted into the present code, and a remarkable improvement has been made upon the Draft Civil Code mentioned above. For instance:

1. While the Draft Civil Code made no mention on the matter of publication, the New Civil Code lays down detailed provisions concerning it, which consists of 13 articles (articles 515 - 527).

2. In order to improve the health of future generation, the New Civil Code has added a few causes, such as serious disease which is incurable and veneral or other loathsome diseases, for the cancelltaion of marriage agreements (article 976).

3. While the Draft Civil Code was liberal towards males and strict towards females concerning the conditions for divorce. the New Civil Code lays down absolutely equal conditions and totally discarded the old idea of discrimination between males and females (article 1052).

4. Following the Swiss Civil Code, the New Civil Code lays down detailed provisions concerning the Matrimonial property (articles 1004 - 1048), many of which can not be found in the Draft Civil Code.

5. While the Draft Civil Code never recognized the right of inheritance of the females, the New Civil Code treats both sexes on equal footing and both are recognized as legal heirs (article 1138).

As the distinction between civil and commercial law is due to historical causes of European origin such

as the existence of a merchant class which had traditional customs of its own, and as there are no such causes existing in China, the scope of the Code was enlarged so as to make it a civil and commercial code the rules of which would be applicable to both civil and commercial cases. However, not all the commercial matters are provided in this combined Code; some of the important ones, such as negotiable instruments, insurance, companies and maritime matters are left to be dealt with by separate special laws.

(3) Other laws.

It must not be understood here that only the above mentioned codes were promulgated by the National Government. Many other laws, such as the labor and health laws, criminal and civil procedures, etc., were also promulgated by the Government. Indeed, we have now a complete set of laws comparable to any of the civilized nations of the present day.

(4) Establishment of modern courts.

It has been the determined policy of the Ministry of Justice to establish modern courts throughout the country. In spite of financial difficulties, the Ministry trot along toward that goal with amazing records. In 1926, when the Commission on Extraterritoriality was making investigation on the judicial condition in China, there were only 139 modern courts. This total has now been increased to 410. According to the Judicial Programme for the period of political tutelage (1930 - 1935), a total of 3,431 modern courts will be estabilshed in the course of six years. The first step will be to abolish the system which permit the *Hsien* or District Magistrate to exercise concurrent functions, and to establish in each *Hsien* a *Hsien* Court, pending the establishment of a regular District Court. During the first four years 1,597 *Hsien* Courts will be established. These courts will be reorganized into regular District Courts, beginning from the third year, so that by the end of 1935 every *Hsien* will have a District Court.

(5) Erection of modern prisons and reforms.

It is also the established policy of the Ministry of Justice to erect modern prisons and to make reforms in the same. In 1926 there were only 63 modern prisons. The total has now been increased to 85. Between 1930 and 1935, according to the Judicial Programme for the period of political tutelage, a total of 215 modern prisons will be erected. These will be designated, according to their capacity for the confinement of prisoners, as first, second, third and fourth class prisons, and will hold 1,000, 700, 500, and 300 respectively.

The reform of prisons has been directed toward the rehabilitation of criminals. All prisoners, except those of a dangerous character, are taught simple handicrafts, and are made to work with the purpose of enabling them to earn a living after their release. The illiterate ones are taught elementary readings and writings, and lectures on helpful topics are also given. Officials are sent from time to time to different provinces to investigate prison conditions and to aid the authorities concerned in devising means for future improvement.

(6) Selection and training of judicial officers.

A standing committee, of which the Political Vice-Minister of the Ministry of Justice is the chairman, for the registration and selection of judicial officers has been attached to the Ministry of Justice. A better type of personnel is being insisted upon. According to the regulation issued by the Ministry of Justice only the following persons are eligible for the judgeship or procuratorship:

1. Those who have passed satisfactorily the examinations designated for judicial officers, and later graduated from the Judicial Officers' Training School surpervised by the Ministry of Justice; or

2. Those who graduated from a law school, Chinese or foreign, of recognized standing, and have been professor of law, or legal practitioner, or judicial-administrative officer since graduation for more than two years.

For judges and procurators of the higher courts, they must have been judges or procurators in the district courts for over five years.

The school for the training of judicial officers was opened in June, 1929. Only graduates of law schools of recognized standing, who had completed a three-year course in legal education are permitted to take the entrance examination. The period of intensive training is to be one and a half years. During the summer vacation, the students are sent to various District Courts for practical training.

(7) Training of experts in medical jurisprudence.

Medical jurisprudence has been considered as a necessity in criminal trials at the present day. Questions connected with the facts and causes of death; with the identification of bloodstain and detection of poisons; with evidence relating sexual crimes with facts relating to impotence, sterility, pregnancy, abortion, etc., must be handled by experts so that the truth may be established and justice administered. This object cannot be attained without invoking the aid of medical science. Realizing this importance, the Ministry of Justice has established a special institution at Chen-Ju (眞如) for the purpose. Instruction have also been given to different provinces to open special class for medical jurisprudence at their respective medical colleges, selecting students of high standing to take up the subject. After graduation, they will be sent to different courts to render their services in this particular field.

(8) Inspection of judiciaries of the various provinces.

The Ministry of Justice has been very strict in the examination of records submitted by judicial officers of various provinces. In this examination, the following things are taken into consideration:

1. The number of cases dealt with each month by such officers and the speed with which they were handled;

2. The result of appeals, new trials, reconsideration of cases in Procuratorate and extraordinary appeals;

3. The results of examinations of decision reported to the Ministry;

4. Special records in the handling of important cases; and

5. Whether they recklessly detained or imprisoned any person.

However, it was thought recently that the examination of records alone is not sufficient to check up the actual work of the judicial officers. A regulation was subsequently passed providing that the Minister of Justice shall make an inspection in person of the courts and prisons of the various provinces annually. If he should be unable to make the inspection himself, he shall appoint a special commissioner to take up the inspection work. It is also laid down in that regulation that the chief justices of high courts and the chief procurators attached should make annual inspection on the lower courts and prisons under their respective jurisdiction in the administrative, financial and litigation matters; and the result of their inspections will serve as a reference for future improvement.

IV. Conclusion.

To summarize our effort in our legal reform, we may well say that we have now better laws, better men, better courts and better prisons. It is hoped that our earnest effort in improving our legal system will be met with the sympathy of the foreign Powers which enjoy extraterritorial rights in China. It is only through the relinquishment of the anomaly that the misunderstandings between Chinese and foreigners can be removed and good-will promoted.

2 3 4 3 9 0 4

0771

ASSOCIATED BOARDS

BULLETIN

ON

CHINA'S FOREIGN RELATIONS

(AND PUBLIC EVENTS IN THE FAR EAST)

Tabe of Contents

The New Magistrate of Hochow and [illegible] Work ---- W. H. Ma

A Brief Study of Anti-Japanese Boycotts -------- K. T. Wu

Vol. II, No. 4. *June 15, 1934.*

PUBLISHED MONTHLY BY

THE INTERNATIONAL RELATIONS CLUB

NANKING, CHINA

(ADDRESS: UNIVERSITY OF NANKING, NANKING)

0772

THE NEW MAGISTRATE OF HOCHOW AND HIS WORK

W. H. Ma

Hochow is a *hsien* of Anhwei province, about seventy miles west of Nanking. From Hsiakwan, steam launches run regularly every morning for Hochow, taking three and one-half hours to get there. The area of Hochow is approximately sixty miles from east to west and twenty-five miles from south to north. It has a population of nearly 300,000 people. The chief products of this predominately agricultural area are wheat, rice and cotton. The cotton of Wukiang, a town district of Hochow, has been noted for its good quality throughout China. In this town, the notorious general Chu Pah Wang who struggled with Liu Pang for monarchical ascendancy at the end of the Ching dynasty was buried after he committed suicide on the river bund. In order to prevent floods from the Yangtze River, dykes have been built along the entire southern frontier of the *hsien*. The city is now wall-less, for it was destroyed in Ming dynasty. the bricks being moved to Nanking to build a huge city wall there. Although the *hsien* was visited by a bandit group led by Chang Ta Pih Tsi ("Big-nose Chang") about two years ago, Hochow is still considered, in comparsion with more interior *hsiens* of Anhwei, a peaceful and prosperous district.

Like many other similar districts in Anhwei and other provinces as well Hochow has been ruled by old-time traditions and corrupt practices. None of the magistrates so far has been able or willing to do away with these curses of the people, The magistrate's office was crowded with bad people who utilized lawsuits to squeeze money from both the plaintiffs and the defendants. The land-tax collectors exacted every year from the poor farmers large sums of money for taxes without giving them proper receipts, exempting the influential gentry class, however, from paying anything to the government. In return the collectors received political protection from the gentry. For decades or even hundreds of years, the gentry as a class have been the real government of the *hsien*, controlling the magistrates with their well-formulated intrigues. On one hand, the gentry would cooperate with evil magistrates in squeezing the people; on the other by their petitions they often misled superior governments into dismissing relatively good magistrates. Consequently the welfare of the great mass of the people has not been well taken care of. They have been the victims of many years of unjust and corrupt government.

The appointment of Mr. Liu Kwang-pei as magistrate of Hochow has marked a new era for that district. Mr. Liu is a trained engineer and economist, returned from America. Being a native of Manchuria he had served under Marshal Chang Hsueh-liang in various important capacities, including that of general director of a Chinese bank and government finance commissioner, before the Japanese occupation of Mukden in 1931. He had later become an officer in the Hwang-pu River Conservancy Bureau at Shanghai. Because of his past record and his personal desire to render direct service to the people, he was highly recommended to the Anhwei provincial government for this present position. He went to Hochow on the old China new year's day and assumed office with very simple ceremony. After a period of only three months, he has already carried out a large number of reforms and has won the respect of the mass of the people. As the reconstruction of *hsien* district is the fundamental work for China, it is worthwhile to make a report of the new magistrate's accomplishments during the past three months.

Judicial reforms: In the office of the Hochow magistrate, there were a total of about seventy regular "judicial policemen" who served notice on plaintiffs and defendants. From two hundred and fifty to three hundred men were employed by these policemen to help squeeze the people. In this way, a large number of these men had become rich or well-to-do. The new magistrate, shortly after he assumed office, decided to root out corrupt practices by getting rid of these "judicial policemen". He dismissed them all, and from among the better ones of this group he selected by examination ten as his new policemen. Ten others were selected by competitive examination open to the public of Hochow. These twenty regular policemen who do the work of the former three hundred have performed the judicial functions of the government even more efficiently and satisfactorily. Unlike the former policemen, the present twenty men are paid regularly and are required to wear uniforms and to live inside the magistrate's office. The magistrate himself takes a great many walks inside and outside the city where he comes in close contact with the people. He talks to the farmers and the ordinary people as one of their friends. It is therefore possible for the oppressed class to bring grievances and complaints to his personal attention. The writer witnessed two such cases when he visited Hochow recently. It is believed that the former forces that stood between the magistrate and the mass have been eliminated and that the people no longer consider the magistrate as an unfriendly and inaccessible person. Through prompt decision of all civil and criminal cases, the magistrate has rendered a valuable piece of service and provided justice for the people. When he assumed office there were detained in the jail eighty persons, half of whom had not been properly tried and convicted. In a very short time, the new magistrate had tried all the cases and set free those who were innocent and those who have already served enough term of imprisonment. The general populace of the district has thus been educated to a sense of discrimination between right and wrong, an education much needed in the whole of China.

Land-tax Reforms: There were one hundred and five tax collectors in Hochow, collaborating with whom were hundreds of assistants who prepared list of farmers, tax forms, and receipts. For years, the *hsien* government has not been able to collect the money paid as land taxes by the people because the collectors put in their own pockets the money for which they issued no receipts. The total of this squeeze amounted to more than $200,000. The new magistrate was deter-

PAGE

OR

PAGES

MISSING

0774

League of Nations described boycott in its simple form as "individual abstention from buying products of a certain origin...is not prohibited anywhere by law, and it is a spontaneous, legitimate manifestation."

The Chinese have for centuries been familiar with boycott methods in the organization of merchant guilds. The boycott was employed more or less as a professional instrument used by one trader against another. But it was not until the beginning of the century and only after her unpleasant contacts with the modern powers that China used it as a weapon in international relations.

Ever since China was first opened to the West and became a victim of imperialism, she has consistently resorted to the use of the weapon of economic boycott in her dealings with unduly aggressive and overbearing powers which on various occasions demonstrated their inclination to take advantage of her national weakness. This alternative to the use of a weak army and impotent navy has been wielded with considerable success and its formidable strength has been demonstrated time and again.

The first Chinese boycott carried out on a considerable scale was the anti-American boycott from May to September, 1905. It was a protest against the stringent immigration rulings of the American government. As a result of the objection of the Chinese people to discrimination, President Theodore Roosevelt directed American immigration officers to place a more liberal construction on the Chinese exclusion laws. A radical revision of the regulations was consequently made.

Next to Japan, Great Britain has figured most prominently in the Chinese boycotts. One was effectively used by Canton against the British colony of Hongkong back in 1925, following the trade war which raged from 1921. When the May 30th Affair in Shanghai was followed by the Shameen incident in Canton, boycotts were immediately afoot. By the end of the year, it was reported that British business in China was on the ropes.

All boycotts, however, are dwarfed in significance if compared with those directed against the Japanese. In the course of the last twenty-six years since 1908 there have been nine anti-Japanese boycotts, all of which were results of one provocation or another which can be traced back to a definite fact, event, or incident. As soon as Japan alienated the affection and good-will of the Chinese by flagrant violations of Chinese sovereighty and by her attempts to perpetuate and aggravate the internal disorder and disruption of China, the Chinese demonstrated a strong determination not to have any social and economic relations with the Japanese people. In fact, the boycott has assumed such an important factor in Sino-Japanese conflicts that in the Report of the Commission of Enquiry of the League of Nations the whole of Chapter Seven was devoted to a discussion of the matter. The present paper is an attempt to deal briefly with the anti-Japanese boycotts from historical, economic, legal, and political standpoints. It is hoped that some salient points may be brought out in the course of our discussion.

1. *The Tatsu Maru Episode - Boycott of 1908.*

The first anti-Japanese boycott occurred in 1908 when the Japanese steamer Tatsu Maru bound for Macao, trying to smuggle arms and ammuntion into the hands of the Chinese revolutionists, was seized by the Chinese officials. Claiming that the steamer had been overhauled in Portuguese waters, the Japanese government forced Peking to apologize, to pay an indemnity, to salute the Japanese flag when it was rehoisted over the ship, and to punish the officials who captured the vessel. Although the incident was considered as closed on March 14th. the commercial interests and guilds of South China resented the high-handed manner of the Japanese Government. Thereupon they declared and organized a boycott which soon spread to other parts of the country. In the course of nine months from April through December of the eventful year, the Japanese exports to China decreased to more than 31 per cent in comparison with the same period of 1907. Including the trade of Hongkong and Kwantung, the decline in trade for the same months amounted to more than 7 per cent of the total Japanese export trade in 1908. It must be added, however, that the decline was not solely due to the boycott; other factors were also responsible for the phenomenon, such as the depression in China in the previous year, the fall of the price of silver and the increase in Chinese industrial output. In view of this background, it must be concluded that, if the anti-Japanese boycott had any effect upon Japan's exports to China, it was not appreciable.

2. *The Antung-Mukden Railway Controversy-Boycott of 1909.*

The second boycott occurred in September and October, 1909, as a protest against Japanese aggression in Manchuria. In that year Japan insisted upon China's agreement to the extension of the Kirin-Hueining Railway and the reconstruction of the Mukden-Antung line. Under strong pressure the Chinese Government capitulated and signed an agreement with Japan on August 19th. This was bitterly opposed by the Chinese who launched a boycott in principal cities in the north. However, the boycott was of a short duration, lasting about only three months, and the effect was practically negligible. Judging from customs returns, imports in that year from Japan were slightly larger than in the preceding two years. This can be explained by the fact that the boycott took place in the summer months when trade was usually slack, and ceased in October with the normal revival in trade.

3. *The Twenty-One Demands-Boycott of 1915.*

On January 18, 1915, Tokyo presented the infamous Twenty-One Demands upon China. The presentation of these demands, without any provocation on the part of China and without the occurrence of any incident which could justify Japan's action, resulted almost immediately by an anti-Japanese movement. In gained headway and spread to many of the Yangtze ports as well as the northern cities. It was not until May 7th, when the Japanese presented an ultimatum which was accepted at the point of the bayonet by Yuan Shih-kai, the Chinese President, that

0775

it assumed a most vigorous form. As the episode is so well known to the whole world, it will be superfluous for us to go into it here for our purpose of discussion of the boycott. Suffice it to mention that it caused intense indignation in China, and undisguised disgust throughout the whole world. The boycott was effective for about six months, from January to June. In July the Japanese forced Peking to issue mandates for the discontinuation of the boycott. Statistics show that in the first half of the year Japanese trade was adversely effected but in the latter half of the year it showed an increase over the same period in the preceding year and this did much to offset the effects of the boycott in the first half of the year. This sudden return can be explained by two factors. First, the world war prevented the European nations from supplying China with necessary manufactured goods, and so Japan took the opportunity to bridge the gap. Secondly, the depreciation of the *yen* made Japanese goods much cheaper in terms of Chinese currency.

Although the boycott of 1915 cannot be called effective, it certainly was significant in two respects. In the first place, it marked the beginning of some serious subsequent boycotts which did much to disrupt future Sino-Japanese trade relations. Secondly, it furnished an incentive to home industries, and some Japanese goods, notably the cotton yarn products, have been replaced by goods manufactured in China.

4. *The Shantung Issue-Boycott of 1919.*

The boycott of 1919 began in May when it was announced at the Paris Peace Conference that the rights which Germany had previously enjoyed in Shantung would be transferred to Japan. The immediate objective of the boycott was to prevent the Chinese delegates from signing the Treaty for China without making a reservation concerning the three clauses relating to Shantung. In addition, the movement was also a patriotic demonstration against the corruption and impotence of the home government. On May 4th three government leaders were mobbed by the students in Peiping, who later went on a strike from May 19. Likewise the Shanghai students launched a strike which started from May 26th. Students throughout the length and breadth of the country participated in the movement in one way or another. Public demonstrations and parades were common occurrences; posters were issued and there were numerous popular speaking tours to call the attention of the illiterate classes; shops were picketed and investigation crews organized. In short, during this period every effort was made to demonstrate against the government as well as to paralyze Japanese trade in China. The whole nation was simply electrified, inasmuch as merchants' guilds as well as labor unions participated in the nation-wide strike. Finally, the objective of the resignation of the three designated pro-Japanese officials was attained in June.

When the fact that the Chinese delegates had declined to sign the Treaty became known in July, the boycott movement slackened. An incident in Foochow, however, was responsible for another outburst and local boycotts were carried on into 1920. The reopening of the Shantung controversy at the Washington Conference on Limitation of Armaments in 1921 brought about a recrudescence of the boycott movement which was aimed at bringing pressure to bear on Japan in the Conference as well as to impress the Peking Government of public opinion in China.

With the return of Shantung to China by Japan at the beginning of 1922 on account of the pressure of the boycott as well as of international censure, trade relations between Japan and China gradually improved.

The bcoyott of 1919-1921 continued intermittently and with varying intensity in different parts of the country. Toward the end of the war vigorous industrial development in China and the return of certain European goods to the Chinese market increased the effectiveness of the boycott. Statistics reveal that this series of the boycotts inflicted considerable economic loss on Japanese trade, shipping and industry. Politically, they were partly responsible in compelling the Japanese to withdraw from Shantung Railway as well as the leased area in and around Tsingtao to Chinese administration. Internally they proved that public opinion in China was articulate and brought about slight improvement of the home government.

5. *Port Arthur and Dairen Recovery Question-the Boycott of 1923.*

The boycott of 1923 arose out of a revival of the controversy over the possession of the Liaotung peninsula in March of that year. The original Russian lease, granted in 1898, would have expired on March 28th,but under compulsion of the Twenty-One Demands China was forced to amend the term to 99 years-an extension of 1997. The Chinese contended that the Sino-Jaqanese agreement of 1915 was signed under duress and was therefore not binding. On March 10th a Chinese note announcing the abrogation of the treaty and asking the return of Dairen and Port Arthur to China at the expiration of the lease was delivered to Tokyo. The Japanese turned a deaf ear to the Chinese request. Consequently Japan's refusal was the occasion for another anti-Japanese boycott.

It began in April and was marked by demonstrations. People from all strata of society joined in a patriotic movement against Japan. In May, the boycott was intensified, due to the Humiliation Day celebrations on May 7th and May 9th. Several clashes between Japanese bluejackets and Chinese pickets who were stationed to stop the unloading of Japanese goods from river steamers in the Yangtze Valley were reported. In July the Japanese Government prevailed upon the Chinese Government to attempt to suppress the movement, but the official mandates proved ineffective.

Thie boycotts terminated, almost automatically, however, after the great earthquake which occured on September 11th. It has been generally conceded that popular sympathy in China brought about the end of the boycott, as the Chinese people even made generous contributions to the victims of the catastrophe.

The boycott lasted of about half a year, and inflicted heavy loss upon Japan. In his findings, Prof. John E. Orchard found out that during the nine months from April to December Japanese exports to the Chinese market declined by $34.498,500 (U. S.) or 19 per cent compared with the preceding year. "That a large part of this decline was due to the boycott is certain because, while the rest of the Chinese import trade declined slightly, the decrease in China's imports from Japan was relatively 50 times as great. The factors that were responsible for the decline in the total trade of China were not the major cause of the decline in Japan's exports to China. In specific commodities, the effect of the boycott was especially marked. Japanese piece-goods to China fell off 8 per cent from the previous year, sugar dropped 25 per cent, and cotton yarns 43 per cent. The years from 1919 through 1932 might almost be considered one long boycott against Japanese goods. Certainly, the Japanese trade with China during the period was not long free from boycott disturbances, and the relations of the two countries were decidedly strained and depressed."[1]

6. *The May 30th Incident-Boycott of 1925.*

In 1925, following strikes in some of the Japanese mills at Shanghai and the killing of a Chinese mill worker by the Japanese staff on May 15th. demonstrations were launched against the Japanese, They culminated in the Nanking Road Affair on May 30th, when 12 Chinese were killed and a number wounded by the Shanghai Municipal Police, On the following day the Chinese Chamber of Commerce ordered a general closing of shops in Shanghai. Anti-Japanese and anti-British boycotts were immediately organized, and for a time both nations seemed to suffer equally. But the Japanese were clever enough to extricate themselves from the affair and the boycott was later directed solely against the British. Fishing in troubled waters, Japan benefited considerably by the boycott against British goods, as a phenomenal increase over the ratio of the previous year testified.

7. *Despatch of troops to Shantung-Boycott of 1927.*

In March, 1927, the Northern Expeditionary Forces occupied Nanking and continued their march to the north. As they approached the province of Shantung, the Japanese Government landed troops in May in Tsingtao ostensibly to protect Japanese nationals and property, but in reality to hinder further progress of the southern troops. A clash between the Japanese troops and Chinese citizens resulted in the death and wounding of a number of Chinese. The people were roused to resentment and another anti-Japanese boycott ensued. This was intensified by the despatch of Japanese troops from Tsingtao to Tsinan. With the announcement on August 30th by the Japanese Government of the withdrawal of troops from Tsinan, the boycott subsided in September. This boycott was not very effective and did not disrupt trade to any appreciable extent.

8. *The Tsinan Incident-Boycott of 1928.*

The Tsinan Affair of 1928, arising out of Japanese military occupation of that city under the pretext of protection of Japanese lives and property, and the killing of the Chinese Commissioner of Foreign Affairs, resulted in another boycott which was characterized by more effective organization than had previously been witnessed. It started in May, and abated in May of the following year by official proclamation from Nanking when negotiations on the Hankow, Nanking, and Tsinan incidents and the withdrawal of the Japanese troops from the cities were completed. With the dispute over the Chinese Eastern Railway between the Chinese and Soviet governments, the boycott against Japan was completely suspended. The decline in Japanese trade, shipping and industries gave indisputable evidence of the economic effectiveness of the Chinese boycott. While it admitted that the disturbed internal conditions in China during this period might be responsible for part of the decline, the boycott was the primary cause. Another notable effect of this boycott was the encouragement given to Chinese manufactures. For example, it marked the beginning of the gradual elimination of Japanese matches and cotton yarns from Chinese makets.

9. *The Manchuria Imbroglio-Boycott of 1931*

The anti-Japanese boycott in July 1931 was first started as a protest against the Korean masscres which followed the Wanpaoshan Incident. It spread to other parts of China and was greatly intensified at the outbreak of the Manchurian incident on September 18th, 1931, the second stage of the boycott. Since then subsequent events are so well known to the world that to make any extended reference to them is unnecessary. Despite the fact that no formal declaration on either side has been made, activities have included military engagements, bloodshed, and occupation of territory by the Japanese to a continually widening extent, Consequently a nation-wide boycott which greatly irritated the Japanese spread with alarming rapidity. The third stage of the boycott, which was noted for its unprecedented intensity, was initiated after January 28th. 1932, when the Japanese, in defiance of Chinese territory and settlement regulations, attacked Chapei. In fact, the boycott which began in 1931 can be characterized as the most effective, most intense and the most prolonged among those we have already reviewed. Every kind of available device was resorted to in severing economic relations with the Japanese people. Picketing groups were organized to seize the Japanese goods and heavy punishments were meted out to "traitorous" merchants.

During this boycott Japanese exports to China declined in comparison with Japanese exports to the rest of the word; Chinese imports from Japan declined in comparison with imports from countries other than Japan. The United States easily took the first in China's foreign trade from Japan. Japanese exports to China in November, 1931, for example, were only a third of those in July of the same year. The *Shen Pao* estimated that Japanese exports to China decreased some $143,000,000 during 1931. The last three months of 1931 alone brought 900,000 tons of Japanese shipping in China to a complete standstill, involving a loss of $64,000,000.

1. Orchard, John E. Japan's Economic Position. 1930. p. 462.

As to Japanese trade in China in the last two years the annual reports of the Bank of China furnish us an excellent picture of the extent of the decline in trade between two countries. In its 1932 report by the General Manager it is stated that in spite of the depreciation of the yen, Japanese exports to China have continued to fall. Towards the end of 1932 the boycott of Japanese goods eased off, but in Southern China and the Yangtze Valley there was no recovery of Japanese trade, so that for the year as a whole Japanese exports to China decreased 48.9 per cent as compared with 1931.

The decline continued in the following year, as testified by the Bank of China report of 1933. According of the annual report for this year by its Managing Director, the volume of Sino-Japanese trade was considerably reduced. This decline was due partly to the boycott and partly to the exclusion in 1931 from the Customs returns of the trade figures of the Three Eastern Provinces which carried 35 per cent of the imports and 70 per cent of the exports in China's trade with Japan. The total imports from Japan in 1933 amounted to $131,349,000 or 9.71 per cent of China's total imports. As compared with 1934 there was a decrease of over $98,000.000 or 42.8 per cent. Exports from China to Japan decreased from $167,462,000 to $95,807,000, or from 21.8 per cent cent to 15.65 per cent. Of course, if the figures for the northeastern provinces were included, the totals of the Japanese trade with China would be greatly increased. It can clearly be seen that Japan is able to make up her loss of trade with China from Manchuria, while China's loss is irrecoverable.

Since the signing of the Tangku Truce on May 31th, 1933, the boycott movement has been greatly slackened- This, coupled with the Japanese pratice of dumping, will possibly increase the Sino-Japanese trade returns in the future.

Economic Aspect of the Boycotts.

From the brief survey above it can be safely concluded that the economic effectiveness of the boycotts is beyond dispute. Japanese trade and industries on the whole have suffered immensely. Any increase during any of the boycotts can be accounted for by some exceptional situation which has been brought out in each case. The boycott maneouvers in the past have been determined by Japan's economic dependence upon China, which is much greater than China's dependence upon Japan. The effect of the boycotts on Sino-Japanese trade can be better visualized from the following table which gives the trade value in Hk. tls. as well as index from 1905 to 1932.

Year	IMPORTS		EXPORTS		TOTAL	
	Value	Index	Value	Index	Value	Index
1905	61,315,248	100.0	35,464,963	100.0	96,780,211	100.0
1906	61,052,356	99.6	33,304,931	93.9	94,357,287	97.5
1907	57,461,410	93.7	39,347,476	110.9	96,808,886	100.0
1908	52,500,960	85.6	37,119,948	104.7	89,620,908	92.6
1909	59,975,187	97.8	51,558,155	145.4	111,533,342	115.2
1910	67,755,559	115.1	61,605,874	173.7	138,366,433	142.9
1911	79,506,276	129.7	62,048,581	174.9	141,554,857	156.6
1912	91,016,652	148.4	55,262,004	155.8	146,278,656	161.5
1913	119,346,662	194.6	65,544,186	184.8	184,890,848	191.0
1914	127,119,992	207.3	64,616,059	182.2	191,736,051	198.1
1915	120,249,514	196.1	77,676,817	219.0	197,926,331	204.5
1916	160,490,720	265.0	112,922,258	318.4	273,412,978	282.5
1917	221,666,891	361.5	105,773,819	298.2	327,440,710	332.1
1918	238,858,578	389.6	163,394,092	460.7	402,252,670	415.6
1919	246,940,997	402.7	195,006,032	549.9	441,947,029	456.6
1920	229,135,066	373.8	141,927,902	400.2	371,063,768	383.4
1921	210,359,237	343.1	172,110,728	488.1	382,469,965	395.2
1922	231,428,885	377.4	157,754,351	444.8	391,183,236	404.2
1923	220,242,970	359.2	198,517,346	559.8	409,541,643	423.2
1924	234,761,863	382.7	201,175,926	567.2	435,937,789	450.6
1925	299,755,611	488.9	186,337,037	531.1	486,092,648	502.2
1926	339,909,411	554.4	211,740,889	597.0	548,650,330	566.9
1927	293,793,760	479.1	208,838,810	588.9	502,632,570	519.3
1928	319,293,439	520.7	228,642,453	644.7	547,895,892	566.1
1929	323,141,662	522.1	256,428,320	723.0	579,569,982	598.9
1930	327,165,000	533.6	216,555,000	610.6	543,720,000	561.8
1931	295,727,119	482.3	264,956,013	747.1	560,683,132	582.7
1932	151,007,000	246.3	114,576,000	323.0	265,583,000	274.7

To furnish a better idea of the relative importance of China's trade with three leading countries. Japan, England and the United States, the following table showing index value with 1895 and 1913 as bases is added.

PAGE

OR

PAGES

MISSING

0778

men that the Chinese boycott is a violation of China's treaty obligations toward Japan. But if we examine the treaty stipulations of 1896 of 1903 we cannot find any provision that the Chinese are under obligation to buy Japanese goods. It is true that Japanese nationals may continue to carry on their business pursuits in Chines portse and in transporting Japanese merchandise to China for sale in Chinese cities and towns after payment of customs duties and other legitimate exactions, but the Chinese reserve the right to make their own purchases of commodities which they want or do not want. To all intents and purposes the boycott is a voluntary, legitimate, and spontoneous manifestation initiated by the Chinese people, and the Chinese Government cannot assume any responsibility for the abstention of its citizens from dealing with the Japanese, much less compel its people to buy the goods of a country that has invaded its territory, bombarded and occupied its cities and engaged in acts of war against a helpless and innocent civilian population. Moreover, the League of Nations has adopted economic or financial boycott as one of its sanctions against states breaking world peace or violating the Covenant. It stands to reason, therefore, that China, as a member of the League, is entitled to apply a boycott against an aggressor state for its sacred obligations under the League of Nations Covenant. "To deny China the use of boycott," in the words of Dr. Wellington Koo, "would be the denial of a legitimate and peaceful instrument of peace."

It must be added that throughout all of the boycotts we have surveyed, the Chinese Government has exerted itself to suppress all kinds of illegal and violent measures. With due regard for the safety of life and property of Japanese nationals in China, it has spared no pains to keep all its citizents within the bounds of law and has taken an attitude that is absolutely compatible with the obligations imposed upon her by international law. It has been due to such vigilance on the part of the Chinese Government that so few untoward incidents have occurred, as confirmed by the Lytton Commission's report.

Political and Other Considerations.

Since the boycott weapon has been refined in the crucible of necessity, it has proved to be a great political as well as economic weapon. Being a forceful expression of public opinion, it has been employed to seek spiritual redress and moral satisfaction rather than to inflict physical injury on others. It has proved repeatedly that the Chinese people are articulate when their sovereighty and honor are violated.

That the boycott is an effective form of publicity goes without saying. The consciousness and attention of the world are aroused, and its sympathy is enlisted.

In all the boycotts, China's political gains more than compensate for any losses she may have suffered. The more intellectual Chinese have shown that they are prepare to sustain injury and loss for the national cause. They have sunk all their personal differences for one common goal. It was partly the peaceful weapon of the boycott that brought about a willingness on the part of the Japanese to bring the trade in arms under better control and the removal of a Japanese official who had opposed arbitration in 1908. Again, in 1919-1921 it brought about the removal of certain Chinese officials who were pro-Japanese. Moreover, it was partly instrumental in directing the Chiness representatives in Paris not to sign the Versailles Treaty. The final settlement of the Shantung question which was more or less favorable to China was also partly due to the boycott, And boycott in the 1927 was partly instrumental in effecting the withdrawal of Japanese troops from Shantung.

In a lecture delivered before the General Conference in the Institute of Politics, Williamstown, on August 18th, 1932, Prof. Kiang Kang-hu discussed China's gains from the last boycott. "She gains, first of all, her self-confidence which is priceless to national upbuilding; secondly, a sympathetic understanding of all friendly Powers; and lastly, a due respect from Japan. The Chinese are, by this movement, trained and disciplined to team-work and organized actions. If the movement is successful to the last, China will thus set a shining example in international morality. She will show to the world what a peaceful economic means of one nation can disarm and defeat the military violence of another. Even though she should be beaten at the end, her material failure will only crown her with spiritual victory. Her just and righteous cause is in the long run invulnerable, and her greatness as a race and a civilization unconquerable,"

In conculsion, it may not be amiss to recapitulate the various conclusions which have been drawn in the course of the above brief and necessarily cursory survey of the anti-Japanese boycotts. Historically, all past boycotts against Japan were organized under definite provocations from Japan. Some of the boycotts lasted for very long periods extending throughout one year into the next; others were of short duration. Economically, practically all of the boycotts caused a definite curtailment of Japanese imports into this country. If there is any exception to this generalization, it was generally due to the European War situation, fluctuations in exchange, the price of silver and other factors. As to positive advantages which China derived from the boycotts economically, they are the incentives given to the development of home industries. Many China made goods are gradually displacing those that are made in Japan. From the standpoint of international law, we found that the Chinese Government cannot be held either directly or indirectly responsible for any of the boycotts which have been invariably sponsored by the people. Politically, China's cases have won the sympathy of the world, and on a few occasions her wrongs have been redressed. In all of the boycotts, concerted action by the Chinese people has been demonstrated, and their morale has won the admiration of many a friendly nation. However, the boycotts failed to effect any fundamental change of policy on the part of the Japanese Government as long as the militarists held the reins of the state. Although the last boycotts, for example, succeeded in embarrassing Japan's trade with China, it fell short of its ultimate object of bringing the Japanese to reason.

2 3 4 3 9 0 4 0779

ASSOCIATED BOARDS

free copy.

BULLETIN

ON

CHINA'S FOREIGN RELATIONS

(AND PUBLIC EVENTS IN THE FAR EAST)

Table of Contents

The Kuramoto Mystery Solved ---------- S. F. Lin

The National Finance Conference ---------- K. T. Wu

A General Survey of Foreign Concessions in China --- K. M. Tsu

Vol. II, No. 5. *July 15, 1934.*

PUBLISHED MONTHLY BY

THE INTERNATIONAL RELATIONS CLUB

NANKING, CHINA

(ADDRESS: UNIVERSITY OF NANKING, NANKING)

2 3 4 3 9 0 4

0780

THE KURAMOTO MYSTERY SOLVED

S. F. Lin (凌士芬)

Nanking, in view of its importance as the capital of this country, is well patrolled. It is especially true with the places where the legations, consulates, and foreign residences are located. It is even more so with the Japanese Consulate General and the Japanese residences, in view of the strained relations which exist between Japan and this country since the September 18, 1931 incident. Since Nanking has been chosen as the seat of the National Government, no foreigner, not to say Consular officer, had been kidnapped or murdered in this city. The local authorities fully realize the responsibility resting upon them for maintaining peace and order in the city, and do their best to discharge the duties devolving upon them. It was not until recently that a Japanese Vice Consul, named Eimei Kuramoto, was reported missing.

The condition under which Mr. Kuramoto disappeared was mysterious. On June 8th the Chinese Foreign Office celebrated the dedication of its new building, and in the evening a banquet was given by Mr. Wang Ching-wei, President of the Executive Yuen and concurrently Minister of Foreign Affairs, in honor of the various foreign diplomats. Among those who attended the banquet was Mr. Akira Ariyoshi, the Japanese Minister, who departed for Shanghai the same night. Intending to accompany the Minister to the train which was scheduled to leave the Nanking Station at 11o'clock, Mr. Kuramoto waited at the Japanese Consulate General. Finding that all seats of the motor cars which had been kept standing in front of the Consulate were occupied, he took a rickshaw instead; and this was the last seen of him.

On June 9th the Japanese authorities notified the Chinese Foreign Office and the local public safety authorities of the disappearance of Mr. Kuramoto, and requested them to make a thorough investigation of the case. Right after the receipt of this notification, high officials of the Foreign Office and the police and garrison headquarters were sent to the Japanese Consulate General and the home of the missing man to secure information and to offer sympathy. The entire police and garrison forces were mobilized to hunt for the missing man. A house-to-house search was begun and the suburbs were combed for any possible trace of him. A reward of $5,000 was offered for information leading to the missing man's discovery and $10,000 for his actual discovery. Further, the search was carried out by Chinese authorities in the neighboring cities, such as Chengkiang, Wusih and Soochow.

After four days' continuous and intensive search, no clue was yet found. Three theories were advanced to explain the disappearance. One was suicide, the other kidnapping and the third murder. Of these three theories, Mr. B. Shimizu, in charge of the Japanese Consular police at Nanking, scouted that of suicide on the grounds that Kuramoto "had always enjoyed excellent health", and that he had "no domestic difficulties or office troubles" which would cause him to end his life.

In spite of the painstaking efforts made by the Chinese to find the missing man, the Chinese Government was accused by the Japanese as being insincere in its attempts to solve the problem, and the police and garrison forces were condemned as being incompetent in the execution of their duties. In the meantime, the Japanese diplomatic and consular officials exerted great pressure on the Chinese Government. On June 12th, Mr. Y. Suma, Japanese Cansul-General at Nanking and concurrently first secretary of the Japanese Legation, after his interview with Mr. Wang Ching-wei, told Rengo, a Japanese news agency: "I informed Mr. Wang that the Japanese Government would hold the Chinese Government responsible for the disappearance of Mr. Kuramoto and all consequences arising from it". The Japanese Consulate in Shanghai, besides sending Mr. M. Arino, a consul to Nanking to help Mr. Suma, also issued an official communique indicating that the Japanese Government held the Chinese Government "responsible for the state of affairs which led to the disappearance of Mr. Kuramoto", and reserved "the right to make any future demands in this connection". Mass meetings were held by the Japanese residents in Nanking demanding a thorough-going investigation of the mys-

tery and a guarantee from the Chinese Government for the future protection of Japanese lives and property in the Capital. Warships, one ofter another, were sent to Nanking. In military circles at Tokyo, according to the United Press, the disappearance of Mr. Kuramoto was coming to be regarded as a parallel of the alleged death of Captain Nakamura in 1931, one of the incidents leading to the Manchurian hostilities. The Japanese press was of the opinion that if Mr. Kuramoto was not found and that if no satisfaction was forthcoming within two or three days, a naval party might be landed from the Japanese warships lying off Nanking to search for the missing man. The press was also of the opinion that the Japanese Government might demand the disbandment of the "Blue Shirts" believing them responsible for the disappearance of Mr. Kuramoto together with the effective control of the activities of other secret anti-Japanese organizations.

On the other hand, the effect of this incident upon the Chinese was tremendous. The prices of government bonds were dropping, and the people in the capital and perhaps in the whole country were getting nervous. The Chinese people remembered very well the consequences of the alleged Nakamura case in Manchuria. They were convinced that any such incident as Kuramoto's possible death might be translated into a major international crisis.

But, fortunately, just at this juncture, a turn for the better took place. At 9:00 a.m., June 13th, the fifth d y of the disappearance, a telephone report was received from a workman of the Chung Shan Mausoleum Park saying that he had important information to impart. Immediately after the receipt of the telephone message, a police deputy was sent to meet the informer at the place indicated. He was informed that in the morning a person, who might possibly be the missing man, asked him for a drink of water, and having had his drink, the person slowly walked toward the direction of the Purple Mountain. Working upon this infornmation thus supplied, a search was started in the area around the Mausoleum. Finally, at about one o'clock p.m., a man was discovered hiding in a cave behind the historic Ming Tombs on Purple Mountain. When questioned, he appeared to be both reluctant and hesitant in his answers. However he was found to be a perfect likeness of the missing Japanese Vice-Consul upon comparison with the photograph which the police deputy had with him. He was then invited to return to the city, but he at first refused to accept the invitation. It was only after a strong persuasion that he finally consented to come back to the city. Upon his arrival at the police headquarters, he was shown into the presence of Colenel Chen Tso, chief of police. Colenel Chen and Mr. Kuramoto were old friends. They shook hands and the latter was moved to tears. He was handed over to the authorities of the Japanese Consulate General at 5:10 o'clock the same afternoon.

The mysterious disappearance which threatened the relations between China and Japan was fully explained by Mr. Kuramoto himself as follows:

"On the night of June 8th I intended to see the Japanese Minister, Mr. Ariyoshi, off at the Station, but I did not, because there was no room for me in the motor cars. (Tears welled up in his eyes as he uttered these words).

"Then I took a rickshaw alone and went out through the Chungshan Gate. Proceeding along the Chungshan Road I stopped short of the Mausoleum and turned towards to Purple Mountain.

"I got to the top, looked down upon the lighted city of Nanking and said good-bye to it. (At this point he touched his forehead with his right hand).

"There was a wooden framework on the spot, and producing my picture and card from my wallet, I pinned them to it as a sort of memento.

"I have never been in the Purple Mountain area before, and I thought there must be large, wild beasts there.

"I was lying under a tree, and from there I could hear the cry of a leopard approaching in the distance.

"Then I removed and buried my clothes, preparing to give myself to the leopard for a feeding.

"I took off my clothes because, in the first place, I wanted to give the leopard every facility and, secondly, to remove all traces.

"The leopard passed to and fro several times, but he did not attack me.

"On the second day-Saturday, June 9- I felt very thirsty and came down in search for a drink, as no water could be found in the Purple Mountain section, the Tse Ching Tung and around the Ming Tombs, I remained at the Mountain that night.

"On the next day-Sunday, June 10- I was both very hungry and very thirsty, and came down once to drink tea in a teashop at the foot of the Mountain.

"It was my intention to dig a hole for myself but, having been without food for two days, for this reason I again came down from the Mountain and took a bowl of noodles in a samll noodle shop.

"I had only one twenty-cent piece with me, so I offered my gold cuff-links as payment for my meal; but the proprietor of the shop politely refused saying that, since I forgot to carry money, I could pay him when I visited him again.

"I do not wish to speak of the motive of my action. (At this point tears again filled his eyes). Nor will I do so when I have returned to the Consulate.

"I did not intend to return to Nanking, but under the sincere and earnest persuasion of your officers I was greatly moved and decided to come back with them.

"I thought at the time that my death or survival could be of no consequence to your country and mine." (Again tears streamed down his cheeks).

Now the mystery is solved. The facts stated above speak for themselves. Our readers can very well draw their own conclusions as to whether the Chinese Government had acted its part in this unfortunate affair with sincerity, and whether the police and garrison forces in the capital were competent in the execution of their duties. But, at the same time, we cannot help taking note of the outspoken words uttered by Mussolini in this connection: "The Tokyo Government must be totally disappointed upon the discovery of Mr. Kuramoto, because the opportunity which it intended to grasp has now vanished. Japan had made military preparations. She intended to establish a police force right in the heart of China. What does she get now? Taking the opportunity of the difficult times which have been existing in Europe, Japan has been trying hard to push her conquest upon China. The Kuramoto incident was but a warning and a starting point. His discovery only meant that Japan has lost an opportunity, and that her plan of aggression is temporarily deferred".

THE NATIONAL FINANCE CONFERENCE

K. T. Wu (吳光清)

Since the establishment of the National Government in Nanking, there have been two financial conference: the first one was held in July, 1928, under the chairmanship of Mr. T. V. Soong, then the Finance Minister, and the second from May 21st to May 27th of this year. When the first one was held, the National Government has just completed its unification of China and high hopes were entertained by the whole nation. In his opening speech, Mr. T. V. Soong brought up five important problems to be tackled by the government, but six years have since elapsed and none of these have been satisfactorily solved. For the opening of the present meeting, the Finance Minister reviewed the critical period through which China has been going during the past six years, and especially the last three, when the country has been confronted by natural disasters and communist ravages, which have dashed to the ground the hopes built up during the first National Finance Conference when the nation expected the government to progress from financial readjustment to reconstruction. To our chagrin we find that the financial situation of the country today, in the words of Dr. Kung, is "not only chaotic but also definitely acute." In fact, China is faced with precisely the same difficulties today as she was six years ago when Mr. T. V. Soong convened the meeting.

In his opening speech Dr. Kung enumerated a list of fourteen problems facing the government on finance, beginning with the reduction of land taxes and surtaxes, the abolition of exorbitant levies and

miscellaneous taxes and the finding of their substitutes, local budgets and their balancing, fair and equitable distribution of the nation's receipts and expenditures, promotion of home industry and productive enterprises, selection and encouragement of tax collecting personnel, currency reform, and ending with the necessity for closer cooperation between the central government and the various local governments in the work of financial readjustment and development. He suggested that immediate attention should be given to the readjustment of the farm tax and the budgetary system which, as a matter of fact, were the keynotes of the conference. This is beyond doubt a formidable, but by no means insignificant list, which will surely tax the patience and ingenuity of the financial authorities. Some reforms may even require radical administrative reorganization.

In five plenary sessions the conference passed over one hundred resolutions. The manifesto of the meeting gave a review of the work during the seven days while it was in session. The most important of the resolutions which were adopted are: 1. Reduction of farm taxation in order to alleviate the sufferings of the farmers; 2. Abolition of exorbitant taxes and miscellaneous levies; 3. Improvement of the taxation system; 4. Determination of the local budgets; 5. Productive reconstruction; and 6. Mutual cooperation between the central and local authorities.

Another point of paramount importance brought out by the manifesto is military economy. To our way of thinking this is indeed one of the most drastic measures to which immediate attention should be given, for military expenditure is a lopsided item in the Chinese budget which amounts to staggering figures, absorbing 80 per cent of the total income of the government; and the curtailment of which is imperative. Fully agreeing with the urgency of the extermination of the Communist-bandit menace, we sincerely hope that military operations of this kind will be expedited so that the funds can be used for productive purposes.

The above will suffice to show us that the conference worked very hard and tackled many difficult problems. The resolutions passed are by no means ambitious, but they are indicative of the sincere wishes of the authorities to set our financial house in order. Every thinking person in China will agree that nothing is more urgently required in China than a proper readjustment of taxation, the elimination of illegal imposts, the abolition of the enormous leakage and improper diversion of funds and the doing away with corrupt practices which honeycomb both petty and more responsible officialdom, and the receipt of the central, provincial and hsien governments of a more adequate proportion of the money which is exacted from the people.

To get an idea of the crushing burden of the farmers who constitute 80 per cent of the total population of China, one has only to read the illuminating report to the Council of the League of Nations by Dr. Rajchman in his chapter on Agriculture in which he pointed out that the originally moderate land tax in many provinces has been multiplied several times by the imposition of surtaxes. The system leads to additional exactions, which greatly add to the real burden, admits of evasion on the part of those best able to pay, and results in a great loss of revenue. The dual evils of evasion and extortion are carried on a very large scale. Hence the League adviser recommended that an efficient system of collection be installed. This will alleviate the burden of the farmers and increase the national coffers. That rural rehabilitation, which is essential to national prosperity, should be brought about with as little delay as possible cannot be gainsaid.

It may be recalled that when he took over the portfolio of the Ministry of Finance on Nov. 6th last year, Dr. Kung brought out two cardinal principles, as the basis of his financial policy namely, the opening of new resources, and the curtailment of expenses. When one peruses the resolutions of the conference one will find out that all of them are based upon either one or the other of these two principles. For it is clear to every thinking person that financial equilibrium can be restored only by following painstakingly the dictum which the Finance Minister has brought to our attention.

Cynics are likely to relegate the present National Finance Conference to the category of government conferences characterized by meeting without conferring, conferring without decision, and decision without

carrying out into effect. To this stricture Minister Kung replied, "We must not confine ourselves to words, we must follow words with action." We fully subscribe to this truth and likewise agree with Mr. Wang Ching-wei's statement that preparation of plans for the financial rehabilitation of China is useless unless they are faithfully carried out.

It is not unduly optimistic to say that the domestic horizon is much clearer than it has been for a long time past, and the prospects of carrying through reform measures are much brighter than heretofore. It goes without saying that "the first conscientious attempt on the part of the government to alleviate and ameliorate the sad state of affairs victimizing the masses of the country" will receive the unqualified support of the whole nation. In line with the manifesto issued to the country upon the adjournment of the meeting on May 27th, we are of the belief that "the decision of the conference, if faithfully carried out, will mark a significant milepost towards the reconstruction of China."

A GENERAL SURVEY OF FOREIGN CONCESSIONS IN CHINA

K. M. Tsu (徐國懋)

A map of China will show that all along the Chinese sea coast and even as far as the remote interior, there are regions set apart by the Chinese Government for foreign trade and residence and placed under foreign administration. This foreign-controlled residential area in China is commonly known as a concession or settlement. These two terms are often interchangeably used, although there is a theoretical and insignificant distinction. In a concession, the entire area is leased by a single foreign state through its consular authority to private lessees such as the foreign residential areas in Hankow, whereas in a settlement, the private lessees obtain their ownership directly from Chinese owners by expropriation or voluntary sales like the International Settlement at Shanghai. This distinction has no practical significance and is no tgenerally observed.

History of Concessions. Long before the Opium War in 1842, there were already some places open to foreign trade and residence. As far back as the ninth century, the Arabian and Indian merchants visited Canton and settled down in the foreign quarter of the city, similar to the "factories" in the later centuries. These aliens were mostly under the jurisdiction of their own headmen. Portuguese began to swarm into Macao in 1497, gradually acquiring the right to lease land and maintaining an administration of their own. Prior to the Opium War, the foreigners when coming to China were confined within the "factories", not permitted to reside in the Chinese cities nor free in their physical movement from one city to another. The desire to remove the restrictions and secure the right of trade and residence in Chinese cities was one of the causes that led to the breaking out of the Opium War.

In consequence of the Treaty of Nanking that followed the war, the British Government demanded *inter alia* the opening of five ports where her subjects with their families and establishments should be allowed to reside for the purpose of carrying on their mercantile pursuits without molestation or restraint. This provision extended to British subjects, merely the right to live with their families and to trade in the five open ports, but had no implication nor allusion whatever to the existence of concessions. Foreign municipal administrations grew up in the reserved areas apparently not by virtue of these treaty stipulations. In the words of Philip Joseph, author of "Foreign Diplomacy in China", the later development of the settlements, the acquisition and extension of municipal privileges and the control of the municipal government by the foreign element, was a product of the aggression of the foreigner, his desire for exclusiveness, and for a place in which to live superior to that afforded by the native cities to which he had acquired a legal right of entry.

Immediately upon the conclusion of the Opium War, areas in the open ports were chosen for foreign settlements. Great Britain took the lead, and other Powers followed suit. During the Boxer Rebellion in 1900 when China was in a state of confusion and disorder, the Powers availed themselves of this op-

portunity either to secure new territorial concessions or to extend their old ones. The number of foreign concessions rapidly rose to twenty-eight, 7 belonging to Great Britain, 4 to France, 8 to Japan, 2 each to Germany and Russia, 1 each to Belgium, Austro-Hungary and Italy, and 2 International Settlements.* In Such cities as Hankow and Tientsin, there are as many as five and eight concessions existing side by side.

Kinds of Concessions. There are principally two kinds of concessions, namely international settlements and national concessions. The International Settlement at Shanghai and Kulangsu represent the first group, and other concessions in the foregoing list represent the latter group. The system of administration that prevails in both international settlements and national concessions merits our attention.

A. *International Settlements:*

1. *Shanghai.* Long before the foreigners had come to Shanghai, the city was already the greatest trading centre in the East of Asia. The native shipping passing through the port of Shanghai equalled in tonnage the shipping of the Port of London. This settlement began as an English settlement established in 1843, one year after the conclusion of the Treaty of Nanking. The Municipality was governed by the Land Regulations which had undergone several revisions, notably the one in 1845 and 1898. These revisions were necessitated by change of circumstances. For instance, the amalgamation of the British and American settlements in 1863 in consequence of the Taiping Rebellion when the refugees rushed into the settlements for protection required the promulgation of new Land Regulations which was proclaimed effective by the ministers of the Powers at Peking in 1898. The Settlement is run by two organs, namely, the General Meeting constituted by all foreign rate-payers and presided by the Dean of the consular corps, and the Municipal Council elected from the General Meeting to exercise administrative functions such as the enforcement of land regulations and supervision over public works and police. The consular authority over the municipality is limited only to fixing the date for the Council's election, to giving or withholding approval to new bye-laws introduced by the Council and to convening meetings of rate-payers when considered necessary.

For many generations, the Chinese residents in the settlement who contributed a large share for the upkeep of the Municipality had no participation in municipal affairs. In the wake of Chinese nationalism, the General Meeting finally yielded to the Chinese demand for representation both in the Municipal Council and the Committees. Now there are three Chinese members on the Council and a Chinese member appointed to each of the six Committees which carry out the work of the administration.

2. *Kulangsu.* Closely analogous in administration to the International Settlement at Shanghai is the Kulangsu Settlement. It was not created by any specific treaty stipulations. The Treaty of 1842 merely provided that Amoy where the Kulangsu island is located should be one of the first five ports opened to foreign trade. In 1902, an agreement was concluded by the local Chinese authorities and the foreign consular body for the establishment of an International Settlement in Kulangsu. In the same year, the Land Regulations was promulgated, providing for a Municipal Council of six members, five foreigners and one Chinese. Subsequently the Council was reorganized and enlarged to include three Chinese and six foreign members.

There are certain special features in international settlements which are worth our attention. The Municipality is under the collective control of the consular corps of the city, subject to the control of the diplomatic corps at Peiping. Foreigners, irrespective of their nationality, while livng in the Settlement have complete equality in their rights as well as obligations pertaining to municipal matters.

B. *National Concessions.*

Side by side with the international settlements

*Note	*Great Britain*	*France.*	*Japan*		*Germany*	*Russia*
Amoy	Newchwang	Hankow	Amoy	Shameen	Hankow	Hankow
Chinkiang	Shameen	Shameen	Chungking	Shasi	Tientsin	Tientsin
Hankow	Tientsin	Shanghai	Hangchow	Soochow		
Kiukiang		Tientsin	Hankow	Tientsin		
Belgium	*Austro-Hungary*	*Italy*	*Internationa. Settlements.*			
Tientsin	Tientsin	Tientsin	Shanghai			
			Kulangsu			

are national concessions reserved in name, at least, exclusively for citizens of the concessionary power. But as a matter of fact, people of other nations equally have the right even to the extent of participating in local administration. Before the World War there were eight powers possessing national concessions in different part, of China, namely, Great Britain Japan, France, Italys Germany, Russia, Austro-Hungary and Belgium. The United States once had some concessions, notably in Shanghai and Tientsin, but had to give them up largely for reasons of economy. They were amalgamated with the British concessions. Germany and Austro-Hungary rendered their concessions back to China upon the rupture of diplomatic relations in 1917. Russia surrendered her concessions in the same year upon the fall of the Czarist regime. The Belgian Concession was returned upon her own volition. Great Britain had likewise since 1926 taken a very commendable step in the improvement of the Sino-British relations. She had surrendered some concessions entirely to Chinese administration and revised in some other concessions the Land regulations so drastically as to allow Chinese participation in municipal affairs on an equal basis. Now, the leading concessionary Powers are Great Britain, France and Japan. Each of the Powers has adopted a system of administration that is different from the others.

1. *British Concessions.* In British concessions, the affairs of the municipal administration is placed under the charge of a Municipal Council varying in size from four to nine councillors according to the area and significance of the municipality. The councillors are elected by land-holders or tax-payers at public meetinge for a one year term. The resolutions adopted by the Council are put into execution by the British Consul who acts in the capacity of an executive.

2. *French Concessions.* The French concession at Shanghai represents very well the type of administration that prevails in all other French concessions in China. It is characterized by centralization of power in the hands of the Franch Consul-General and the Chinese representation on the Municipal Council. The Municipal Council is under the presidency of the French Consul-General who presides at the meetings, convenes the assembly of the voters, prepares and revises the electorial list and shoulders the responsibility of maintaining order and public security in the Concession. The Chinese representation on the French Municipal Council began as early as 1868, but first confined to advisory capacity and gradually extended to administrative functions.

3. *Japanese Concessions.* Japan entered into the scramble for concessions much later than the Western powers. In the protocol of 1896 China agreed that "settlements exclusively for the use of the Japanese shall be provided at each open port of China, the Japanese consul having full control over the roads and police affairs in such Settlements." In Japanese concessions, the consul exercises the official control over all municipal affairs, including the right to supervise police, make regulations and levy dues for the expenses of the concession.

Legal Status of Foreign Concessions. This brief survey will lead one to inquire whether a concession is an integral part of Chinese territory or alienated from Chinese sovereignty. From a legal point of view, a concession is and remains Chinese territory, although the power of administration is delegated by the Chinese Government in favor of the concessionary authorities. There are many obvious reasons why China still exercises sovereighty over the concessions. All title deeds carry the words "rent in perpetuity", although the possession falls short of time limitations. The ground tenants pay an annual due to the Chinese Government in form of land tax. The Chinese maritime customs have the right to collect taxes on the goods which enter into the concessions. Chinese residents in the concessions are subject to the control of Chinese authorities in just same way as those living in other parts of the country, and owe the same measure of allegiance to the Chinese Government as their fellowcompatriots.

Criticisms against Foreign Concessions. The existence of foreign concessions in China has been subject to many severe criticisms. It is criticized because in the first place, the Chinese are deprived of the right of possessing land or buildings in the concessions except in the name of a benificiary foreigner. Secondly, they have provided time and again shelter for Chinese political refugees, this having given rise to

2 3 4 3 9 0 4
0784

frequent controversies between the concessionary and Chinese authorities. Moreover, in the event of war even between China and a third power, China cannot use the concessions to her advantage; Chinese troops are denied the right of passage through these concessions either in time of peace or in time or war. They acquire a status of neutrality. In the "undeclared" war between China and Japan in the spring of 1932, the International Settlement at Shanghai was severely criticized because the Settlement authorities had not stopped or were incompetent to stop the use of the settlement by the Japanese as a base of operations. Lastly, China cannot exercise her right of plenary jurisdiction over her own citizens in the concessions. Chinese residents cannot be arrested by Chinese authorities except with the approval of the Consul under whose care the concession is administered. The injustices and, to a certain extent, the evils that arise from the existence of foreign concessions in China are the causes that lead to the demand for their rendition.

At the Washington Conference, the Chinese delegation ably presented their appeals for the rendition of concessions. They contended that the conditions which necessitated separate area for foreign residence has ceased to exist. In Nanking and Changsha where there are no concessions, foreigners and Chinese live in peace and friendliness. Moreover, foreigners no longer confine themselves to the limit of concessions for trade and residence, as there are other places open to them in the interest of commercial prosperity Lastly, the existence within the territorial jurisdiction of China of enclaves within which are exercised various forms and degrees of government by foreign consuls, municipal councils, or diplomats has in recent year been an important factor in breeding irritation between China and foreign powers.

In the interest of trade, the foreign powers have come to China. Trade, however, cannot prosper unless the causes that breed friction are removed. It is good to see that the British Government has already taken the lead in returning to Chinese jurisdiction some of her concessions and it will not be long we hope, before other Powers will follow her example. With one more cause of friction removed, there will then be better understanding and more amicable relations between China and other nations.

2 3 4 3 9 0 4 0785

ASSOCIATED BOARDS

free copy.

BULLETIN

ON

CHINA'S FOREIGN RELATIONS

(AND PUBLIC EVENTS IN THE FAR EAST)

Sino-Japanese Relations Since Tangku

Vol. II, No. 6. *Aug. 15, 1934.*

PUBLISHED MONTHLY BY

THE INTERNATIONAL RELATIONS CLUB

NANKING, CHINA

(ADDRESS: UNIVERSITY OF NANKING, NANKING)

PRINTED BY GINLING PRESS

45 HWANG NI-KAN, NANKING

2 3 4 3 9 0 4

0786

SINO-JAPANESE RELATIONS SINCE TANGKU

W. H. Ma

Professor of Government

and

International Relations

University of Nanking

The conclusion of the truce agreement at Tangku, a port to the east of Tientsin, by Chinese and Japanese military representatives on May 31, 1933 served to relax the tension of the critical relations between China and Japan which began with the Japanese military occupation of Mukden on September 18, 1931. Although the Tangku Truce led to the suspension of hostilities between the Chinese and Japanese armies in North China, and prevented Japanese occupation of such Chinese territory as the Tientsin and Peiping area, it created a number of "post-bellum" problems which have not been completely and satisfactorily settled up to the present time.

The Problem of Restitution of War Areas to China

In the first place, the reestablishment by China of civil and police administration in the so-called Luantung area between Tientsin and Shanhaikwan and in districts between the Great Wall and Peiping has been a puzzling problem for the Central Government to handle. According to the provisions of the Tangku Truce, the Chinese troops would withdraw to regions west and south of a line connecting Yenching, Changping, Kaoliyien Shunyi, Tungchow, Hsiangho, Paoti, Lintingchen, Ningho and Lutai. The Chinese troops undertook not to advance beyond this line as well as to abstain from "any provocative or disturbing acts". Article II gave the Japanese army extraordinary power permitting them to "make observations by aeroplanes or other methods" of the withdrawal of Chinese troops. The Japanese troops would refrain, according to Article III, from pursuing the Chinese troops beyond the line set up and also "voluntarily and completely withdraw" to the Great Wall. Article IV provided that the maintenance of peace and order in the areas south of the Great Wall and north and east of the line stipulated in the agreement was to be undertaken by Chinese police organs. Contrary to international practice and Chinese organic law, this agreement came into effect immediately after being signed, requiring no process of ratification.

It is clear that the Tangku Truce was a purely military agreement aiming at the suspension of military hostilities and the establishment of a de-militarized zone between China and the puppet state. The agreement involved no commitment on the part of China regarding diplomatic and economic problems between the two countries. Nevertheless, China was deprived of the important sovereign power of sending army to the demilitarized area or, unless she is ready to fight against Japan, of conquering the rebellious forces in the Three Eastern Provinces and Jehol. Good faith and national honor should cause Japan to restore the civil and police administration of the said area to China. An objective survey of the events which have taken place in this area since May 31, 1933 will lead to a conclusive judgment as to the fulfilment by the Japanese of the terms of the Tangku Truce.

Fllowing the signature of the Tangku Truce, the Chinese local authorities in North China found difficulties in dealing with the "irregulars" who were fostered by the Japanese and had fought with them against government forces before the Truce. These irregulars, numbering several thousands, were led by Li Chi-chun, Shih Yu-san, Pei Chien-wu and others. They were defeated and discontented militarists who could be easily bought by the Japanese. The Hopei provincial government desired, naturally and rightly, to dissolve these irregular military organizations, but they refused to comply to the government order. On the other hand, the Japanese authorities gave them considerable backing and helped them to force the Chinese Government to incorporate the troops under Li, Shih and Pei into the Peace Preservation Guards to be organized by General Yu Hsueh-chung, chairman of the Hopei provincial government. In consequence of the incorporation of these bad elements into the police forces, several mutinies and riots have taken place in Luantung area during this past year, some of which have grown to dangerous dimensions and endangered local peace.

In regard to civil government and administration the Chinese authorities have not been able fully to assume their duties and exercise their powers in the de-militarized area. Although magistrates for this area had been appointed shortly after the Truce went into effect, many of them were prevented from taking over the control of their respective districts largely because of the presence of Japanese troops and the irregulars. Even though some of the magistrates were able to assume office after they had the understanding of the Japanese, the latter might interfere with the progress of local government and make the magistrate unable to perform his functions. For instance, the magistrate could not extend his control over the Japanese and Koreans (generally people of the lower classes) who sold such drugs and poisonous narcotics as heroin and morphine to the Chinese people. Although such sales were a severe offense against anti-drug law in China, the penalty for which is death; owing to extraterritorial rights and other special privileges enjoyed by the Japanese, these drug-sellers could not be punished. Again the magistrates found it difficult to eliminate banditry and robbery in the rural districts because the Japanese have limited the numbers of both policemen and their arms and munitions for each country district. As the number of bandits had increased during the Sino-Japanese "war", the limited force under the command of the magistrates could not cope with the situation. Finally the magistrate was even prevented from handling effectively cases of local disorder. One of the most serious cases was the strike of about 20,000

workers at the Tangshan Coal Mines. The leader of the strikers maintained such close relation with the Japanese that the magistrate hesitated to arrest him. As soon as the Japanese had arrived at certain understandings with the Hopei provincial government, the strike was immediately broken and the workers quietly went back to work without a satisfactory reply to their demands.

Most serious of the post-bellum questions in North China is the continued presence of Japanese troops in the de-militarized zone. Several of the passes along the Great Wall, such as Malanyu, are still patrolled by the Japanese. They are free to moving around any part of the section east and north of Peiping-Tientsin area. The number of Japanese troops stationed in the Peiping Legation and Tientsin concession has usually exceeded that stipulated in the Protocol of 1901. Many a time they have taken the liberty of holding a military review or a manoeuvre in Tientsin and Luantung district. It is a common practice for Japanese troops, in full military equipment, to march along Chinese streets in Peiping and Tientsin. It was reported that the Japanese authorities at Tientsin had ordered the construction of an aerodrome near the Japanese concession. Moreover, traitorious groups such as Japanese Langugae Associations were organized and have become active in this area. The presence of the Japanese troops together with their activities in North China have been causes of irritation for the Chinese and have seriously affected Sino-Japanese relations. These problems of police, civil government and military movements constitute the chief obstacles for General Hwang Fu, chairman of the Peiping Political Council, who is trying to restore order in the northern five provinces under his jurisdiction.

The Problem of Communications between China and "Manchukuo"

The Japanese, instead of fulfilling their obligations under the Tangku Truce, demanded among other things that China should resume through railway traffic and postal relations with "Manchukuo". The Peiping-Mukden line was broken into two sections, with China running the section between Peiping and Shanhaikwan and Japan the other from Shanhaikwan to Mukden. Passengers are, therefore, required to change trains at the Shanhaikwan station, which involved a certain amount of trouble. From the Japanese point of view, the resumption of through railway traffic would give them three advantages. Economically, Japanese traders and goods might enter North China more conveniently; strategically, their troops might maintain a more effective connection between the de-militarized zone and the Shanhaikwan-Mukden section; and diplomatically, the resumption of through traffic might be considered as tantamount to *de facto* recognition of "Manchukuo" by China.

With the establishment of Manchukuo, moreover, China had declared a postal blockade against the puppet state. This was not a Sino-Japanese question alone, because this action was adopted by the Far Eastern Committee of the League of Nations and the Universal Postal Union. Because of this blockade, mails between the puppet state and China as well as other countries have to go through Japan. As a matter of fact, Japanese agents have carried mails between China proper and Dairen or other ports for the inhabitants of the Three Eastern Provinces. The demand for the resumption of postal communications would reap for Japan similar benefits, namely; *de facto* recognition of Manchukuo and more commercial facilities.

China we opposed to both demands. The resumption of through railway traffic and postal communications would naturally increase the power of the Japanese economic invasion of North China. But the chief consideration of the Central Government was a legal one: whether such a resumption of communication would be tantamount to a *de facto* recognition of Manchukuo?. Such a recognition would cast grave doubts on the good faith and national honor of the Chinese government. It would run counter to all the resolutions of the Postal Union and the League. For this very reason, China has hesitated at the establishment of customs along the Great Wall. The establishment of custom houses would greatly increase the national revenue of China because duties might be levied on Japanese goods imported along the Wall. Japan, on the other hand, has been willing for China to establish such customs, though it would deprive its goods of the benefit of free importation, because their establishment could imply not only a *de facto* recognition of Manchukuo but also an actual ratification of the boundaries between China and her rebellious "state". Consequently, the creation of customs has constituted one of three questions for Sino-Japanese negotiations in North China.

Beside these three questions—through traffic, postal communications, and customs,—which have received public notice in the Far East, it may be mentioned parenthetically that reports are persistent that Japan has pushed other economic and political demands in North China. Vernacular papers in Shanghai published the news that Japan demanded the right to build a railway from Peiping to Chengteh, the capital of Jehol province which is now under Japanese occupation. Also they want to invest money in building a line from Taiyuan, the capital of Shansi province, to Tatung, a point on Peiping Suiyuan Railway, and the gate to Shansi province as well as a convenient spot for economic and military expansion in Inner Mongolia. (It must be recalled that Japanese still enjoy considerable influence in the Kiaochow-Tsinan Railway Company in Shantung province which is also one of the five provinces in North China). Again it was reported that Japan demands a monopoly of the use and, to certain extent, of the cultivation of cotton in North China, which has both economic and military value for the Japanese. Politically, it was said that Japan wished to have a stronger and more authoritative government representative in Peiping who would be able to carry on direct negotiations with the Japanese and satisfy their demands. Concretely speaking, they wanted to see such a reorganization of the Peiping Political Council as would be more agreeable to Japanese views.

These economic and political demands, if proved true, are extremely serious because they amount to the subjection of North China to Japanese control. Any interference with the reorganization of the Peiping Political Council, if established as a precedent, would lead

to significant consequences. China would lose her freedom in choosing the personnel of the Council and the Council could not be independent in forming its own policies and plans. The granting to Japan of such economic demands in railway construction and cotton planning would lead to further Japanese economic activities along other lines and ultimately to their domination or control of North China. It is horirble to imagine other consequences of the Japanese demands! We hope that these demands remain as paper reports which will never be proved true. It would be a reinforcement to the peace of the Far East if the Japanese statesmen would categorically deny the verity of these rsports.

However, opinion has been expressed that North China has been, since the Tangku Truce, regarded as a second South Manchuria before the Mukden Incident, a territory in which the Japanese enjoyed paramount economic,military and political influence. Facts are not lacking to prove the validity of this statement. The fact can not be concealed that, under the pressure of the Japanese, the former Northeastern armies, whom they regard as die-hard enemies of Japan, gradually moved southward from Hopei to Honan and Hupeh provinces where General Chang Hsueh-liang, leader of these armies, has established his headquarters and is cooperating with General Chiang Kai-shek in conducting the anti-Communist compaign. It is also a fact generally recognized here that the Peiping Political Council consists only of those persons who have been more or less in sympathy with the policy of maintaining good relations between China and Japan. Those who have been actively representing the Council in dealing with the Japanese are well known as Japanophils. In other words, any one who holds a radical view against Japanese invasion can not successfully carry on any negotiations with their representatives, though he may temporarily be attached to the Council. In consequence of this influence of the Japanese on the Peiping Political Council, other phases of internal government and administration in North China have been affected by the attitude of the Japanese. Along economic lines, Japanese expansion in North China is too apparent. Their cheap goods, owing to the freedom of importation and transportation and exemption from custom duties, have actually dominated the market in North China. Chinese as well as foreign goods are practically excluded from the market. Japanese financiers and traders are no less active in investigating economic resources in North China as possibilities for investment and industrial development. It has already been reported that on April 25 of this year the Japanese Oriental Development Association had arranged to make a loan of $ 5.200,000 to the Ministry of Railways for the reorganization of Peiping-Suiyuan Railway. The open door doctrine has become a scrap of paper not only in the Three Eastern Provinces and Jehol but also in North China.

For the moment, emphasis should not be laid on these economic and political demands, though they are natural and important for the Japanese to advance, because they have not been made subjects for official negotiation or discussion. It is for the Central Government to take every caution possible to prevent any trespass by the Japanese—either official or unofficial—on these sovereign rights in North China. We may now turn our over attention again to the three questions which have been partially solved at the time this paper is being written. As referred to above, the Tangku Truce implies nothing whatever regarding the resumption of traffic and communication between China and Manchukuo. The Japanese authorities base their demands on certain verbal promises given by the Chinese representatives who signed the Tangku Truce. None of the representatives has officially confirmed the Japanese contention concerning the promise. The Chinese Foreign Ministry has rightly declared that even if the promise was made it would not be legally binding on China because the representatives acted in *ultra vires* and it was not accepted by the proper authorities of the Central Government. Consequently, the Central Government has persistently refused to comply to the Japanese demands for the opening of negotiations in regard to railway traffic and other questions.

The Japanese again resorted to various kinds of threats. In the first week of April alone over 100 Japanese military officers arrived in Peiping. They were sent by the Tokyo General Staff for the purpose of getting acquainted with the principal strategic cities in North China. After conferring with the Japanese military authorities at Peiping and Tientsin, these officers left for Charhar, Shansi, Suiyuan and Southern Hopei. In the meantime, Japanese troops in Luantung and their garrisons in Tientsin held military manoeuvres in the demilitarized zone. Early in May, more than 30 aeroplanes arrived at Malanyu, a pass of the Great Wall about 100 miles northeast of Peiping. Some of these planes even dropped bombs on the open fields near the pass. On May 13, Prince Kotohito Konin, chief-of-staff of the Japanese Imperial Army despatched relief forces from the first, fourth, seventh, and twelfth divisions to replace term-expired troops of the Japanese garrisons in China. On May 15, fresh Japanese troops arrived at Chih-hsien, a district in the demilitarized zone. Without agreement or approval of the Chinese authorities at Peiping, the South Manchuria Railway Company had despatched agents to study economic conditions in North China. It was reported that these agents would give special attention to the Peiping-Suiyuan Railway, Shansi province, and Tsingtau in order to strengthern the Japanese influence in North China. All these manoeuvres and demonstrations of the Japanese have been responsible for rumours and speculations among the Chinese in Peiping and Tientsin.

As an actual threat, the Japanese, in the early part of April, presented to General Hwang Fu, chairman of the Peiping Political Council, a demand equivalent to an ultimatum that Japan expected a definite reply regarding the question of communications on or before May 31, the first anniversary of the Tangku Truce. Realizing the seriousness of the demands, General Hwang left Peiping for Nanchang where he could seek counsel and authority from General Chiang Kai-shek, chairman of the Military Affairs Commission, and Mr. Wang Ching-wei, president of the Executive Yuan and concurrently Minister of Foreign Affairs. It was understood that unless the Japanese demands were satisfactorily accepted it would be difficult, if not impossible, for General

Hwang to return to Peiping. Consequently, General Hwang's stay in the South or his return to the North really serves as a barometer indicating the progress of Sino-Japanese diplomatic relations.

The Nanchang Conference was held in April and was attended only by General Chiang Kai-shek, President Wang Ching-wei, and Mr. Hwang Fu. The meeting was very brief, but it was extremely confidential. Important conversations undoubtedly took place, but, thus far, no information has leaked out regarding their views toward the Japanese demands. Later developments, however, have explained to the public the trend of the policies of the Central Government toward Japan. As soon as the Nanchang Conference was adjourned, General Hwang Fu submitted his resignation to the Central Government and retired to Mokanshan, a summer resort in Chekiang province. On the one hand, this action might mean that General Hwang's conciliatory views had been disregarded by General Chiang and President Wang making it impossible for him to return to Peiping to meet the Japanese demands. On the other hand, it might mean that the concensus of opinion was favorable to his policies, but that he felt that the responsiailities were too great for him alone to eat the bitterness of public criticism and attack. Actually, he remained in Shanghai for sometime, where he met Mr. Ariyoshi, Japanese Minister to China, and Mr. Tang Yu-jen, vice minister for foreign affairs. When General Chiang Kai-shek came to Chekiang, his native province, General Hwang went to Hangchow to meet the national military leader. At Mokanshan he is frequently visited by his subordinates from the North and he is still giving instructions to his staff at Peiping.

The immediate result of the Nanchang Conference, however, was not felt by the public. In a general and somewhat vague statement issued on April 16 by President Wang Ching-wei regarding the Conference, the seriousness of the North China situation could be seen: "The most important issue I discussed with Generals Chiang Kai-shek and Hwang Fu at Nanchang was the present situation in North China. The situation is critical but not hopeless, provided that China effects the necessary reforms in civil and military administration, that the people be united in the struggle for national salvation, and that the rural rebabilitation policy be actively carried out. Whether we shall meet the situation with success or not is not so important as to show to the world that we have the national stamina. We are studying the international situation and the situation in the Far East very closely with a view to adopting proper measures to meet the situation; but every thing, it is important to realize, depends fundamentally on our own national strength and vitality." The vagueness of President Wang's statement helps to show that China, in the face of Japanese threats, is unable to resist their demands at the present time.

Among the three questions, the resumption of through railway traffic was regraded by the Japanese as most urgent. On May 16, two secret conferences were held between Chinese and Japanese representatives at Peitaiho. Mr. Yin Tung, managing director of the Peiping-Mukden Railway, Mr. Yin Ju-keng, administrative inspector of the Chihhsien-Miyun district, Mr. Tao Shang-min, administrative inspector of the Luantung district, Colonel Shibayama, Japanese military attache in Peiping, Colonel Matsui, director of the Japanese mission in Tientsin, Major Giga of the Kwantung Army, and Mr. Ohta of the South Manchuria Railway Company were present. Although the outcome of the conferences was kept secret, the chief problem discussed related to through traffic. China's main concern was to avoid any implication of *de facto* recognition when the through traffic was resumed. Japanese representatives apparently agreed to this view and worked out with Chinese representatives technical plans for running the through traffic without any reference to Manchukuo.

Further conferences between Mr. Yin Tung and Colonel Shihayama at Shanhaikwan and other places produced certain general principles for the resumption of through traffic. Most important of the principles agreed upon were that locomotives of the South Manchuria Railway Company were to be used for through trains between Peiping and Mukden; railway tickets from Peiping to any station outside the Great Wall or from Mukden to any station inside the Great Wall were not to be sold by the railway authorities; an international travel service was to be organized to handle through passenger and goods traffic and to sell railway tickets; the Chinese and Japanese representatives undertook jointly to form an international travel service, which should have its head office in Shanhaikwan and should maintain branch offices in Peiping, Tientsin, Mukden, and other main stations along the line; no flags or written notices of whatever description that were likely to provoke public feeling were to be displayed on the through trains; the railway authorities of the two sides were to act independently of each other in regard to the policing of the line, but in case of necessity joint action might be taken with mutual consent.

These agreements, in order to become effective, must receive the approval of the Central Government. Mr. Yin Tung, the managing director of the Peiping-Mukden Railway, who was responsible for concluding these agreements, sought, in June, authority from General Hwang Fu and the Central Government. In order to avoid the suspicion of according any sort of a *de facto* recognition to the puppet state, the Central Political Council decided that the resumption of the traffic was purely a local affair and it was accomplished as a business arrangement between the Peiping-Mukden Railway and the South Manchuria Railway Company. The China Travel Service which has rendered valuable service to Chinese and foreign communities in China was asked to cooperate with the Japanese tourist representatives in forming an Eastern Tourist Bureau which was to have its head office at Shanhaikwan. On July 1, the through railway traffic between Peiping and Mukden was resumed after two years' suspension. Although the train was bombed on the first day and several people were killed and injured, the train service has not been interrupted.

The Problem of Postal Communications

Following the solution of the railway question, the raising of the postal ban against Manchukuo must be

considered. But the Japanese demand in this respect, as stated above, involves greater difficulties and complications. An acceptance of Manchukuo stamps would amount to a *de facto* recognition of the puppet state, an action which will never be tolerated by the Chinese people. On July 25, 1932, shortly after the loss of the Three Eastern Province and Jehol, the Ministry of Communications, due to obvious difficulties involved, ordered the suspension of all postal organs in the lost territory in order to avoid any complications with the puppet state. Notifications were simultaniously issued to the member states of the International Postal Union to despatch mails hitherto transmitted via the Three Eastern Provinces, by the sea-route. The ministry had taken steps to speed up the postal service between Europe and Asia by inaugurating the Eurasia Airway.

The suspension of postal communications between China and Manchukuo worked considerable hardship for the Chinese and foreign residents in China. Mails between Chinese people and their relatives and friends living in Manchukuo have to be transmitted via friends living in Japan or Korea, where the friends re-envelope the letters and mail them in a Japanese post office. The sea-route between China and Europe takes more than double the time required by the Siberian route, which passes through Manchukuo. European mails for China, to and from, have become necessarily slow and inefficient. The Chinese must bear the hardship in order to defend their nation's cause. It is natural, however, for foreign traders and residents in China to favor an early resumption of postal communications. Japan, having realized the actual necessity as well as their own good, have brought pressure to bear upon the Peiping Political Council for the negotiation of processes by which postal relations between China and Manchukuo can be re-established. When the Japanese demanded the resumption of through railway traffic rumours were current that representatives of both countries also considered the question of postal communications.

The Ministry of Communications, which was authorized to order the suspension of postal communications with Manchukuo, had to issue statements denying the validity of these rumours. On May 9, the Ministry emphatically denied the issuance of any new regulation regarding incoming Manchukuo mails. It declared: "Since the closing down of the Chinese Post Offices in the Three Eastern Provinces, all mails between China and Manchuria have not been carried, with the exception of Dairen and the Kwantung Leased Territory, with which the Chinese Post Office is obligated to operate through mail facilities under treaty provisions. Mails to and from other parts of Manchuria have been strictly suspended, and until the present moment there has been no change in the arrangement". The Ministry was, however, careful not to commit itself regarding any possible future arrangement.

In May, Great Britain submitted a memorandum to the League Council raising certain technical questions regarding postal relations wich Manchukuo. The Sino-Japanese Advisory Committee of the League was convened and, in order to overcome practical difficulties, adopted three principles to be applied by members of the League. The first principle was a mild confirmation of the non-recognition doctrine against Manchukuo, which says: "The Manchukuo department of communications cannot appeal against the provisions of the Universal Postal Convention. The second principle destroyed the effect of postal blockade. "The postal administrations of countries who are members of the League of Nations are not precluded from temporary measures for postal correspondence involving transit through Manchuria". The last principle is a face-saving measure in which the League declard that such measures should be purely administrative and technical in nature and were not arrangements between states or governments.

China was greatly disappointed over the adoption by the League of the three principles regarding postal relations with Manchukuo. A spokesman of the Ministry of Communications declared on May 29 "The Chinese government has not entered into any negotiations with Japan *vis-a vis* the postal question regarding Manchuria nor has it considered any measures in the light of general principles recently adopted by the League of Nations at Geneva on postal transit through Manchuria". Such a negative statement could not eliminate the suspicion that negotiations concerning postal communications might proceed at any time in the near future, especially as the Japanese have gained an upper hand in the railway question. On May 18, the editor of the *North China Daily News* declared; "The Advisory Committee (of the League) has made the situation perfectly clear and China, as a member nation of the League may at her discretion make such arrangements through her postal authorities and the postal authorities of Manchukuo, providing for the through traffic of the trans-Siberian mails, without in any way detracting from the policy of non-recognition which has been adopted."

In regard to the establishment of custom houses along the Great Wall, we find very little on which to make a comprehensive report here. Since the Japanese have imported so many goods into North China free of duty, China has suffered both economic and financial loss. Although this special and unusual advantage of the Japanese will be taken way when custom houses are established, Japan hopes to make a diplomatic gain by, determining the territorial relations between China and Manchukuo. China is conscious of this intention of the Japanese; so she refuses to consider the establishment of regular custom houses, such as those set up in the ports. Shortly after the resumption of through railway traffic, Dr. H. H. Kung, Minister of Finance, made an extensive trip in North China with a view to considering ways by which duties on Japanese goods can be collected. Two high officials of the Ministry were sent to inspect the various passes of the Great Wall. It is planned that a number of revenue collecting houses equivalent to former "likin" stations may be established, which will collect the duties on goods, not as foreign imports but as goods transported from province to province or from city to city. The prospects are that the plan of the Ministry of Finance may he materialized in a very short time.

A survey of the Sino-Japanese questions in North

0789

China can not but lead the writer to certain reflections. In the first place, the Tangku Truce was a temporary military agreement aiming at the suspension of hostilities. Since China fulfilled her obligations in withdrawing troops from the demilitarized zone, there is no reason why the Japanese troops should remain in some of the Wall passes and freely move in the demilitarized zone. It is bad faith in international relations that Chinese magistrates and police authorities should be prevented from exercising full authority because of the presence of lower-class Japanese nationals and their proteges. Had the Japanese early and faithfully fulfilled their obligations under the Tangku Truce, it would have been easier for China to consider the three questions Just discussed. As soon as the agreements of the Tangku Truce are carried out, Japan should honorably agree to China's demand to terminate that aggressive document. Japan must also realize that her continuous expansion in North China must lead to endless conflicts with the Chinese. Her hands are already full in Manchuria and Jehol. Any attempt at political and economic dominance in North China would require still further expenditure of money and men. On the other hand, it would help to consolidate the irredentist movement among the Chinese.

The Famous "Hands-off" Policy of the Japanese

In the midst of Sino-Japanese negotiations regarding the questions in North China, Japan suddenly declared on April 17 the so-called "hands-off" policy toward China. It was an informal statement issued for the press by a spokesman of the Foreign Office. As the statement appeared so important that it attracted universal attention, it is worth lengthy quotation:

"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 fuflilling her special responsibilities in East Asia. Japan hes been compelled to withdraw from the League of Nations because of their failure to agree in their opinions on the fundamental principles of preserving peace in East Asia. Alt ough Japan's attitude taward 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 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 the 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 the awakening and the 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 one power against another. Any joint operations undertaken by foreign powers even in the name of technical or financial assistance at this particuiar moment after the Manchuria and Shanghai incidents are bound to acquire political significance. Undertakings of such nature, if carried through to the end, must give use to complications that may eventually necessitate discussions of problems like fixing sphere of influence or even international control or division of China which would be the greatest possible misfortune for China and, at the same time, would have the most serious repercussion 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 trades as long as such negotiations benefit China and are not detrimental to the maintenance of peace in East Asia.

"However, supplying China with war planes, 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 the friendly relations between Japan and China and other countries and to disturb peace and order in East 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 is deemed not inappropriate to reiterate her policy at this time."

The circumstances under which this statement was made are not difficult to understand. In the first place, the Central Governement at Nanking emerged much stronger after the suppression in the Spring of two formidable rebellions: one at Fukien, led by the 19th Army, and the other at Ninghsia led by Sun Tien-yin. General Chiang Kai-shek, who heads the communist suppression compaign in Kiangsi, made distinet and important progress in the recovery of communist areas. The approaching completion to the suppression compaign will undoubtedly bring about a more unified and strong Central Government for China. Secondly, China's reconstruction forces were greatly accelerated by the work of the National Economic Council which has been responsible for obtaining the technical collaboration of the League. Thousands of miles of highways have been completed under the supervision of the Council. Practical schemes for river conservancy and land reclamation have been put into operation. National planning for the control of cotton, wheat, silk, and other products have been gradually worked out. The report of the League liaison officer, Dr. Rajchman, which was completed on April but not made public until May 10, proposed further and closer collaboration between China and the League.

Finally the United States has been also active in extending certain assistance to China. The $50,000,000 wheat and cotton loan of the United States to China had aroused considerable criticism in Japan. In the field of aviation, Americans have rendered tremendous service to this country not only in commercial but also in military ways. It was reported that, owing to Japan's opposition, the plan to build an aerodrome at Amoy with American money and experts was cancelled. It is a fact that both Great Britain and the United States are competing with Japan for trade paramountcy in China. The fact that the Soviet Union was recongnized by the United States and that Great Britain gave greater attention to her trade in India and Hongkong must have had some influence on Japan's attitude.

In Japan, the declaration of the "hands-off" policy was only a part of the well-planned but unwisely conceived project for aggression in China. It might be used as a smoke screen for pressing China to settle the various questions in North China. More important still, Japan desires to exclude other countries from the task of developing the economic resources of China. If this should prove impossible, Japan desires at least to have a dominant--not equal--part in rendering financial and technical assistance to China. Everyone knows that China, so far, has not utilized Japanese money and experts. By all means, Japan stands opposed to a China fully made strong by her own efforts or by those of other countries other than Japan.

The North China Daily News rightly interpreted it as part and parcel of the Japanese policy for some years past to regard that nation as gifted with a special mission to maintain peace in the Far East, to the exclusion of other powers who undertook that responsibility long before Japan was in a position to do so. "Its enunciation is but the logical result of developments during the past three years and helps in the final interpretation of much that has happened during that period.... If it has the effect of putting an end to the negotiations for the lifting of the postal blockade and the reestablsihment of through traffic on the Peiping-Mukden Railway no one will be surprised. Indeed it would almost seem as though Japan were anxious to force China to refuse her demands, thereby laying a basis for further Japanese action in North China, the possibility of which has only been thinly veiled for some time past.... On the one hand, Japan declares the joint responsibility of herself and China to maintain peace in the Far East, on the other, she does it in such a manner as to provoke a breach of that peace for which she appears to have such a tender regard.

"China, in the eyes of Japan, is a dangerous country: if attacked it is likely to defend itself, and consequently objection is registered against provision by other countries of military aeroplanes and military instructors, and the making of political loans.....What is apparently sought is the establishment of a Japanese hegemony in the Far East, in which this country shall be condemned to a state of political and industrial helotry, to create, instead of the old spheres of influence which caused so much heart-burning in the past, one sphere which shall be that of Japan to the exclusion of all others. It is a much bigger programme than was originally believed and involves not the dominance of North China alone, but of the whole of this enormous country; it aims at control not only of China's foreign policy, but also of her domestic, and reduces the country to a scantily concealed vassalage which is contrary to all the principles adopted by the whole world since the Great War for rehabilitation...

"That the country is in an unenviable diplomatic position, far from being a factor contributing towards the maintenance of peace, is a direct incentive towards the imposition of Japan's will upon the Chinese nation. Those who professed to see everything good in Japan's actions regarding China during the past three years, have now been given an opportunity to realize that not only are the Japanese iniuring the interests of China alone, but that a very definite threat has been made against the interests of those who so unthingkingly have given their moral support to the aggressions that have occurred since the Mukden Incident. The statement of a new policy such as that under notice possesses grave potentialities for China and also the rest of the world."

Reactions against the April 17 statement were universal and strong. China was foremost in her opposition to the "hands-off" policy. Commenting on the statement issued by the Japanese Foreign Office on the 17th, a spokesman of the Chinese Ministry of Foreign Affairs declared on April 19: "China is always of the opinion that international peace can be maintained only by the collective efforts of all members of the family of nations. Especially is it necessary for nations to cultivate a genuine spirit of mutual understanding and remove the fundamental causes of friction in order to establish durable peace among them. No state has right to claim the exclusive responsibility for maintaining international peace in any designated part of the world.

"Being a member of the League of Nations, China regards it as her duty to promote international cooperation and achieve international peace and security. In her endeavour to attain these ends, she has never harboured any intention of injuring the interests of any particular country, far less causing a disturbance of peace in the Far East. China's relations with other nations in this regared have always been of such a nature as should have characterized the relations between independent and sovereign states.

"In particular, China desires to point out that the collaboration between herself and other countries whether in the form of loans or in that of technical assistance, has been strictly limited to matters of a non-political character, and that the purchase of such military equipment as aeroplanes and the employment of military instructors and experts have been for no other purpose than national defence, which chiefly consists in the maintenance of peace and order in this country.

"No nation which does not harbour any ulterior motives against China need to entertain any fears concerning her policy of national reconstruction and

2 3 4 3 9 0 4
0790

security.

"In regard to the situation now existing between China and Japan, it should be emphasized that genuine and lasting peace between the two countries--as between any other countries--should be built upon a foundation of goodwill and mutual understanding; and that it should go a long way towards the laying of such foundations when the existing unfortunate state of affairs could be rectified and when the relations between China and Japan could be made to rest on a new basis more in consonance with the mutual aspirations of the two countries."

The official *Central Daily News* at Nanking called the attention of Tokyo to the following three points:

1. Maintenance of world peace depends on international understanding and any action detrimental to world concord cannot be made in the name of peace.

2. Japan should realize by which nation peace in the Orient has been endangered.

3. Acquisition of foreign assistance for the sake of international development is the sole business of the country concerned and any attempt at intervention by other countries will inevitably result in a disturbance of the peace."

In Tokyo. General Chiang Tso-ping, the Chinese Minister to Japan, called on Mr. Hirota protesting against the statement issued on April 17. This resulted in the offering on April 24 by the Japanese representtaives of further explanations to the Chinese government, elucidating the various points raised in the said statement. Briefly, the explanations offered may be summarized as follows:

"(1) japan does not intend to impair the independence of China or to injure her interests, but sincerely wishes that her integrity, unity and prosperity be secured.

"(2) Japan welcomes transactions between China and the foreign Powers arising out of their economic and trade relations; she would observe the various international agreements relating to China; and, at the same time, she hopes that China would faithfully carry out the doctrine of equal opportunity as well as the Open Door Policy.

"(3) Japan has no intention of injuring the commercial interests of other foreign countries in China, but in case such foreign Powers should adopt concerted action intending to militate against peace and order in the Far East, she would most resolutely oppose it. This is the natural and proper attitude for Japan to take since it is Japan, together with China and other countries of the Far East, that shoulders the responsibility for the maintenance of order and peace in this part of the world."

In a much stronger and more effective form, a spokesman of the Chinese Foreign Office commented that the points mentioned above did not correspond exactly with those contained in the statement of April 17. "Although the Japanese authorities have, both in Japan and elsewhere, tried several times to make explanations which turned out either to be more pretentious than the original statement or to be contradictory to it, they have not, in any way and upon any occassion, repudiated that statement. It follows, therefore, that the Japanese government remains wholly responsible for the aforesaid utterance.

"The sovereighty and the independent character of the Chinese Republic does not permit of any infringement by any nation upon any pretence whatever.

"China's relations with other countries and with the League of Nations have always been legitimate and aimed at the promotion of her internal development and external security. This too, therefore, does not permit of any interference by any nation.

"While the execution of her internal programme does not permit of any outside interference, the realization of her foreign policy depends, in a large measure, upon the co-operation of all countries concerned. In this connection it is to be earnestly hoped that the nations of the world will join in support of the inviolability of international law and the sanctity of international agreements."

News from the *Kremlin* at Moscow indicated that the Tokyo statement had caused the Soviet leaders the gravest concern. The general comments represented the Japanese move as a prelude to aggressive Japanese expansion on the mainland. Some of the commentators apparently regarded the episode as a welcome diversion from the Japanese-Soviet duel in the Far East. According to a news despatch of April 26 from Moscow, the Soviet press interpreted the Japanese policy in the following terms: (1) it was an attempt on the part of Japan to break the alleged negotiations between China and a group of international bankers then in Nanking which Japanese militarists considered part of an attempt by the United States and European Powers to create a united front of resistance to Tokyo's pan-Asiatic policy; (2) Toky was trying to force Nanking to discontinue negotiations with American interests concerning aviation construction and consultation.

In the United States, in contrast with the policy of Hoover-Stimson administration, the State Department did not issue any statement in regard to the declaration of Japanese policy. Washington was, however, maintaining a reserved but firm attitude. President Roosevelt and Secretary Cordell Hull held several interviews regarding the matter. The Japanese Ambassador to the United States was busy convincing the Americans that Japan was justified in maintaining a "hands-off" policy in the Far East, though certain of his statements were indeed harsh and unwise. Judging from later actions, the United States was cooperating with Great Britain in making representations to Japan concerning the latter's treaty obligations.

Actual diplomatic pressure was brought to bear upon the Japanese urging them to observe international law and treaties. On April 23, Great Britain submitted a memorandum to Tokyo reaffirming Britain's adherence to the Nine-Power Treaty and made it clear that Great Britain would refuse to recognize Japan's power to alter unilaterally existing treaty obligations. On April

24 and 25 successively, Sir Francis Lindley, the British Ambassador, and Mr. Joseph C. Grew, American Ambassador, called on Mr. Hirota to discuss the April 17 statement. Both the United States and Great Britain appeared unyielding in their opposition to an unilateral denunciation of international documents.

Japan was slow in modifying her declared policy, but she was nervous over the opinion expressed in various countries. Immediately following the issuance of the "hands-off" policy, Foreign Minister Hirota, on April 18, tried to confine the application of the policy in the following manner: Japan will not ignore her treaty obligations, the principles enunciated in the statement will be applied with such effect as not to conflict with existing treaties, and cases will be dealt with according to their merits." The Japanese Ambassador to the United States, Mr. Hiroshi Saito, was more outspoken, thus less discrete, about the meaning of the statement. In an interview with American press representatives, he declared: "Japan would regard it as an unfriendly act if foreign countries with commercial interests in China ignored Japan's request that she be consulted before transactions were concluded." He added that the foreign nations had not the remotest idea of how to deal with the Chinese. If foreign business representatives ignored Japan's request, the responsibility would fall on the Chinese government. He confidently referred to Japan as the best judge of what might disturb the peace of the Orient and would not tolerate having the League of Nations or any other Power assuring a judge-like attitude towards questions pertaining to peace and order in Eastern Asia. In supporting the Tokyo policy, Mr. Masayuki Yokoyama, Japanese Consul at Geneva, declared that "Japan is the natural defender of the peace in Asia and intends to oppose any aid to China which may be harmful to Japanese interests." Mr. Yokoyama seriously but groundlessly asserted that Dr. L. Rajchman has not acted purely as a technical expert but bas taken part in political affairs in China. The statements made by Hirota, Saito, and Yokoyama did not, however, convince the world that the "hands-off" policy could be allowed to stand. On the other hand, the offensive statements expressed by Saito and Yokoyama increased the fears of other countries.

In face of the unified and strong opposition of countries to her April 17 statement, Japan, on April 28, handed identical notes to Sir Francis Lindley and Mr. Joseph C. Grew modifying her position in relation to China. The full text of the note has never been published. The gist of it appeared on April 29 in the *North China Daily News:* "We desire the unification and prosperity of China, knowing that Japan is geographically in a position to profit from the increase in trade if China is united and developed. But unification and prosperity must be obtained by China's awakening and by her own endeavours.

"Japan considers herself a strong stabilizing force in East Asia and, therefore, she feels full responsibility for the maintenance of peace in this part of the world.

"As for China, Japan is firmly convinced that, owing to her geographical propinquity, Japan profits much from the unification and prosperity of China. The Japanese government has no intention whatever to interfere with the sovereighty and independence of China, her closest neighbour.

"Japan believes, however, that the unification of China must be attained by China's own endeavours and awakening and that such unification must not and cannot be brought about at the risk of exploitation of China by the Powers.

"At the same time Japan desires to make it clear that she has no intention to interfere with the vested rights and interests of the Powers in China. Such being the case, if the Powers interested in China engage in legitimate trade and commerce for the benefit of the Chinese nation, Japan could welcome such economic activities.

"Contrary to various unfounded rumours, Japan has absolutely no wish nor intention to deviate from the principle of open door and equal opportunity in China, but Japan is determined to oppose to any activities of the Powers on whatever pleas or in whatever forms which are likely to disturb peace and order in East Asia.

"As regards Manchukuo, Japan earnestly hopes that the other Powers may come to recognize the legitimate and free activities of that country. Taking this opportunity, Japan would like to make it clear that she has no territorial design on Manchukuo."

In a statement presented by the Japanese to the French government and made public on May 3, the Japanese modified position toward China may be more clearly seen. "Japan has taken no action against the independence or interests of China, and has no intention of doing so. On the contrary, Japan sincerely desires the maintenance of the territorial integrity, unity, and prosperity of China. In principle, these ends should be attained by China herself, thanks to the reawakening of her national energies and to her own efforts.

"Japan has no intention of transgressing the rights of the other Powers in China. If pursued in good faith, financial and commercial activities can have only happy effects for China, and Japan regards such a result with satisfaction. Japan subscribes, of course, to the principles of the open door and equal opportunity in China. She scrupulously observes all the treaties, and agreements now in force with regard to that country.

"Japan cannot, however, remain indifferent to any possible intervention of third parties, which, under whatever pretext it were made, might be prejudicial to the maintenance of order and justice in the Far East and in regions where Japan, if only by reason of her geographical position, has interests of vital importance. Consequently Japan cannot allow Chinese problems to be exploited by third parties with a view to pursuing an interested policy without regard for the conditions indicated above."

An examination of the April 28 statement shows that Japan has not dropped her claim to exclusive

interest in China. All that has been done is that an unofficial statement has been modified and an unhappy reference to the League and the Powers has been excised. That need not necessarily mean that Japan has receded in any way from the position she undoubtedly claimed for hereself in the statement of April 17, and it may very well be that an officially undeclared policy may still remain in the minds of the leaders in Tokyo, to be brought forth on some other and more propitious occasion.

Great Britain was satisfied with the Japanese reply and considered the incident to have been closed. Sir John Simon, on April 30, declared in the Commons: "I think that the statement made by the Japanese Foreign Minister is reasonably clear, and His Majesty's Government are content to leave this particular event where it is." He said that Japan would respect the principle of equal rights in China as guaranteed by the Nine-Power Treaty to which Japan is a party. He was, however, not very explicit in his reference to the consortuim and in his statement recognizing the "special rights" of the Japanese in China. He was careful to say to Britain's old ally that Great Britain would not undertake any action which might endanger peace in the Orient. Both London and Paris assured the Japanese government that in case of any act inimical to Japan's security she may invoke Articles I and VII of the Washingtom Treaty for proper solution.

The United States did not necessarily share the opinion expressed by Great Britian and France. The United States, accourding to a cablegram from Washington on April 30, did not propose to consult Japan before extending financial or other assistance to China as long as such assistance dose not violate existing treaties. "In the opinion of the American people and the American government," the United Press reported, "no nation can, without the consent of the other nations concerned, rightfully endeavour to make its wlll conclusive in situations which involve the rights, obligations and legitimate interests of other sovereign states."

The Japanese statement of April 28 indicated definite concession on their part toward public opinion, but it must never be regarded as a change of Japan's policy toward China. A conference was immediately held by Messrs. Hirota, Shigemitsu and Ariyoshi to discuss their attitude toward Sino-Japanese relations. Paper reports said that they reached a complete agreement on "positive policy toward China." Sino-Japanese issues should be settled through direct negotiations between China and Japan. Mutual relations of these two countries should be gradually improved by the satisfactory solution of these problems. In connection with the return of Minister Ariyoshi to China, *The China Press* on may 30 published the new definition of Japanese policy toward China as follows;

"1. For the sake of the maintenance of the peace of the Far East the Japanese government is willing to share this responsibility with the Chinese government. In view of the adoption of such a policy, the Japanese government will oppose any interference by a third party in the relationship of the two countries and will resent any assistance rendered by a third party which has a political tinge.

"2. The solution of the outstanding questions between China and Japan must precede the development of genuine Chinese-Japanese friendship and the maintenance of real peace in the Far East. If China should display sincerity in her attitude toward Japan, the latter would do her best to help solve the outstanding question.

"3. The Japanese government will give friendly advice from time to time in order to foster the growth of a healthy state of affairs in China. The Japanese government will avoid as far as possible seeking any settlement of diplomatic issues with the Chinese local authorities, thereby assisting the Nationalist government to bring about a real unification, prosperity, peace and order for China at an early date."

Technical Collaboration between China and the League of Nations.

The progress of technical collaboration between China and the League has been a real test for the application of Japan's new policy. Japan's opposition to technical collaboration has been frequently expressed long before the declaration of April 17 was made. On the one hand, she was jealous of the prominent part played by the League and the United States in the reconstruction work of China, while her subjects and money were not employed. On the other, she feared that an economically developed China would constitute a direct challenge to the supreme position of Japan in the Far East. Her criticisms against League cooperation and American loans before April 17 were, however, conscientiously ignored by the Chinese people, though they served to irritate certian quarters of public opinion in China. The effect of the April 17 statement on League collaboration and foreign assistance has been just noticed. The publication on May 10, of the report made by Dr. L. Rajchman to the Council of the League again brought the issue of Japanese policy to the forefront of international relations in the Far East.

In a brief document of 51 pages, Dr. Rajchman ably summarized the achievements of the National Economic Council in the reconstruction of China. Although the expenditure of the Council since 1931, and until the end of September 1933, has only totalled $4,550,000, the funds for 1934 alone, when its policy will actually be carried out, total $15,000,000. In agriculture, the Council has decided to devote its work to the northwestern provinces and Kiangsi. It has organized 300 credit co-operative societies in Kiangsi, Nanchang has been organized as the center of social welfare and amelioration work, including mass education, agriculture, health, and other activities. Such centers are established in ten rural disticts in Kiangsi. In the Northwest, irrigation system, road construction and cotton plantation have been folly subsidized by the Council. The Council also organized special commissions for the improvement of the cotton and silk industries. During the last two years, the Council has helped to build 4,000 kilometers of roads. It has also rendered important service to the organizations responsible for water conservancy, a piece of work directly related to the solution of the famine problem in China. In the

field of health, the agents of the Council have participated in the health work in nine provinces and thirty-five localities.

For the year 1934, the details of the reconstruction programme of the Council have been presented as follows:

"*Roads* - Loans to the extent of $4 1/2 millions will be made to the governments of the provinces of Kiangsi, Chekiang, Anhwei, Kiangsu, Hupeh, Hunan, and Honan for the construction of certain highways needed to provide communication between all important centers in these provinces.

"A further sum of $700,000 is to be used for extending highways outside this district into neighboring provinces.

"A sum of $800,000 is to be used for the construction of main roads in Shensi and Kansu, and a further half million for the provision of transport along these roads.

"*Health* - The sum of $500,000 is to be used to provide for the activities of the Central Field Health Station, and for administrative expenses connected therewith.

"*Cotton* - The sum of $1,000,000 to be used for cotton is to be spent chiefly on improving the yield of the cotton crop by the encouragement of cooperative societies and the foundation of institutions to undertake research in technical methods and to conduct propaganda for the dissemination of knowledge of these methods.

"*Silk* - The sum of $750,000 to be spent on silk is to be used for the breeding of improved varieties of silkworms, the training of sericulturists, the subvention of instruction in sericulture, and the subsidizing of modern silk factories,"

A total of $1,900,000 is allotted for the rehabilitation work in Kiangsi and sum of $2,500,000 will be spent for the development of the Northwest, including irrigation work, animal husbandry, health, and so on. Dr. Rajchman also referred to the reconstruction work of the central government during the last two years. The Lung-Hai Railway will be in operation as far as Sian, the capital of Shensi, by October of this year. The Canton-Hankow line connecting North and South China will be finished by 1936. The Chekiang-Kiangsi-Hunan Railway, built entirely by Chinese engineers, will connect up the Yangtze provinces. In the fields of aviation, telegraph and telephone, and radio, the progress has been also noticeable.

In his concluding chapter, Dr. Rajchman referred to the mainfold activities of a large number of Chinese citizens "specialized in many fields of techincal work who carry on their work steadily, away from the lime light of publicity, in a spirit of pubiic service and guided by the interest of accomplishment. These men had known disillusionments attendant on charges of political programme and political regime. They had passed through bitter experience of calamity and war at home and the ineffectiveness of measures of international collaboration on major issues; they have attached themselved resolutely to positive development work, and some of them to the task of planning how best to build up their own country under all the present circumstances. Their background of solid technical knowledge was acquired partly in China, partly abroad. Having given a good deal of thought to the study of the wroking of the economic machinery of leading countries in the world, many of them have gained a remarkable-and perhaps generally unsuspected insight into the Western practice in fields of public endeavour-financial, economic, industrial and agricultural-and after also into the philosophy underlying public policy in foreign lands. In short, China can count to-day on men with the requisite expert knowledge and clear understanding of their own technical needs and of the type of reform or improvement required."

Before closing, Dr. Rajchman made the following recommendation: "This collaboration should continue to be based on the arrangements concluded in 1931 and continued in 1933; it will be carried out with elasticity permitted by the constitution of the League Technical Organization and required by the changing economic and political order of the present day. It will aim at associating the national technical services of China with those engaged in a similar endeavour in the other countries, and by so doing to contribute at the same time to strengthening the foundation and the function of national machinery for the economic development of China."

Anyone with a fair and clear mind would find it difficult to raise objections to this factual and reasonable report submitted to the League by Dr. Rajchman. On May 11, the *Manchester Guardian* declared that the Rajchman report pointed no question of assistance to the Chinese army, and no question of financial assistance. "Yet Japan, which loves her fellow Orientals too well to allow them to be exploited by the League of Nations, regards with suspicion Dr. Rajchman's plans for lending half a dozen technical experts to help China help herself." On the same day, the *Times* said: "The Chinese are most definitely beginning to develop their own resources on an unprecedented scale. A reorganized and prosperous China will, in the long run, create an enormously augmented market for foreign imports. The great Republic in the East must seek its help in a manner that suits it best. The world would welcome a better organized China and regard her enhanced prosperity as commoan advantage."

Chinese diplomats also lauded the report of Dr. Rajchman. Dr. Wellington V. K. Koo said on May 17: "The report gave an accurate picture of China. China believed in the Open Door and epual opportunity for all who respected her integritv and political independence. The question of technical collaboration was the inalienabie right of China as an independent state

"China was convinced that her rapid reconstruction was essential to herself as well as to the depression-ridden world. She was, therefore, determined to continue her efforts by all fruitful means, of which the most effective was technical collaboration with the League." Mr. Quo Tai-chi, Chinese Minister to Great

0792

Britain, also stated that he would endorse the Rajchman report to the full.

Japan is the only country which holds a different opinion, one corresponding to her position declared on April 17, and modified on April 28. A spokesman of the Japanese Foreign Office declared that the report had greatly displeased the Japanese Government as it did not take into consideration Japan's responsibility for the maintenance of peace in the Far East. He contended that should the Rajchman plan be carried out there would always be the danger that assistance which would first be in the guise of financial and economic aid would gradually take on a political complexion as has been the case with many foreign loans to China in the past. In Geneva, after a conversation with Mr. Joseph Avenol, Secretary-General of the League, Mr. Yokoyama, the Japanese Consul, told a journalist that he had been assured that the projected assistance to be given China by the League would concern itself only with schools and hygienic measures. M. Avenol immediately denied the conclusion of the Japanese Consul, and said that the matter was not mentioned, and that, so far as he was aware, the League would discuss assistance for China without any reservations whatever. Later, it was reported that Japan pressed the League not to reappoint Dr. Rajchman to act as liaison officer between China and the League. Whether the latter submitted to the Japanese threat or not is not reported, but the fact is that Dr. Rajchman may not return to China for sometime.

In her opposition to Dr. Rajchman and his report, Japan's true purpose is not difficult to locate. On May 15, a group of Japanese industrialists arrived at Shanghai. Many of them made extensive inspection of economic conditions in China. By pressing China to repay her all the old loans, Japan desires to make a huge loan consolidating the previous debts. On May 23, it was reported that Mr. Ariyoshi expressed to the Chinese leaders that Japan is willing to assist China toward her unification and prosperity. In the new custom rates, duties on thirty items (Japan demanded deduction on 100 items) were reduced. The Kuramoto incident which might have led to horrible consequences was fortunately closed by his discovery (see July issue of this Bulletin). No one can possibly foresee when and in what form the Japanese may preceed with their process of expansion in China. The opinion in the country is united in seeking political unification and reconstruction which will give China strength to stand against foreign invasion. A statement made on May 8 by General Chiang Kai-shek at the weekly memorial service held at Nanchang may be used to represent the thinking of intelligent Chinese and also to serve as a conclusion of this report: "When the entire Chinese army is converted into a National Army - in fact as well as in name - and employed for the suppression of banditry and resistance against foreign invasion, as eventualy it must be, there is hope that much can be achieved which now seems impossible. We firmly believe that we can recover our lost territories in the Northeast, revive the national spirit, and make China a modern and powerful country."

2 3 4 3 9 0 4

0793

ASSOCIATED BOARDS

file copy-

only copy.

BULLETIN

ON

CHINA'S FOREIGN RELATIONS

(AND PUBLIC EVENTS IN THE FAR EAST)

China's Silver Problems and Their Possible Solution

A. B. Lewis

Vol. II, No. 7. *Sept. 15, 1934.*

PUBLISHED MONTHLY BY

THE INTERNATIONAL RELATIONS CLUB

NANKING, CHINA

(ADDRESS: UNIVERSITY OF NANKING, NANKING)

PRINTED BY GINLING PRESS

45 HWANG NI-KAN, NANKING

2 3 4 3 9 0 4

0794

ADMINISTRATIVE REFORM IN MANCHOUKUO

Another crisis in the Japanese government has resulted in yet another victory for the military party. It was only natural that General Hishigari should find his position as concurrent ambassador to a friendly nation, governor general of a dependency, and commander-in-chief of the army which was in actual control of both of these territories embarrassing. The Overseas Minister naturally disliked the necessity of considering army strategy, the Foreign Minister saw the incongruity of a military ambassador, the Minister of the Army fretted at the necessity of having to secure even what must have been little more than rubber-stamp approval of his projects, and the Premier, who was also Foreign Minister, was unable to reconcile the three points of view. That his position seriously inconvenienced General Hishigari or the Army is, however, less likely, for it is hard to believe that the commander-in-chief did not dictate to the governor general and the ambassador. Still, it was embarrassing, and it was necessary to make some change. So a "compromise plan" of reorganization was drawn up, finally accepted by all, and the cabinet was saved.

The plan is an interesting one, not a little confusing but quite impressive on paper. Close examination, however, shows that the numerous clauses it contains can be boiled down to the decision that the ambassador shall continue to be a military man and commander of the Kwantung Army, and that the Leased Territory shall be controlled by a governor who is subordinate to the ambassador. In other words, the ambassador has been relived of one of his titles by having that particular post demoted, while continuing to carry on all the functions he previously exercised. It is difficult to see any other result in this "reorganization" than the giving of government approval to the situation that already existed. Whatever may be the euphemistic effect of calling it a "compromise plan," the actual result is a complete vindication of the policy of the Army and a recognition of the military rule of the "independent" kingdom of Manchoukuo. Yes, the plan would certainly receive the approval of embarrassed General Hishigari; and the Army can look for fresh worlds to conquer.

However the Japanese may look on this event, and there is evidence in the unrest of the civil employees of the Kwantung government that they at least do not completely approve of the Army's increased power, there is every reason for Japan's neighbors, as well as for the rest of the world, to look on it with considerable apprehension.

China, to be sure, has little to fear. The Army was already sufficiently in power to enable it to do what it wished with that neighbor, and the legitimizing of its position is not likely to increase its aggression in that sphere even though it does justify all that the Army has so far done in annexing Chinese territory. Of course it will make further moves in Mongolia and North China somewhat simpler, but they were simple enough to begin with. Whereas it is doubtful if other elements in the government will give the Army free reign in baiting the bear, dragon meat has long been everyday diet for all.

With Manchoukuo the situation is different, and it is hard to see how this recognition of military representation to an independent kingdom can mean anything less than military domination. Not only has Japan's control of the Changchun government been admitted, but that control has been placed in the hands of the most dangerous of guardians. It is unlikely that the rest of the world will be surprised; they will probably view recent events as simply one more step in the direction of Manchoukuo's final annexation to the island empire. China's lost provinces are now in the unenviable position in which Korea was not long before her disappearance as a nation.

It will be particularly interesting to note Russia's reaction. Russia will almost certainly feel a still further threat to her Maritime Provinces. All of Manchoukuo has now been placed in the position of a military-controlled frontier province of Japan. Every military movement for the pacification of that province can be interpreted by Russia as a thrust toward Siberia; every thrust toward Siberia can be disguised by Japan as a move for the internal development of Manchoukuo. On any such stage it will be most convenient for the Army not to have to consult the Foreign Minister, except in so far as that gentleman is also Premier, or to be bothered by the Overseas Minister. Indeed, ties between general and minister of war are likely to be far stronger than those between ambassador and premier. It would take a rank idealist to believe that, in case of trouble with Russia, the good of Manchoukuo would not be sacrificed for the "defence" of Japan. Yes, Russia has good cause to be concerned.

In the light of these facts it is difficult to see how the present move can be conductive of peace. We can only hope it will not strike too live a spark in dangerous territory.

CHINA'S SILVER PROBLEMS AND THEIR POSSIBLE SOLUTION

A. B. Lewis

Agricultural Statistician,
Department of Agricultural Economics,
University of Nanking

Value of Silver

When silver is dear, the Chinese producer receives less silver for his wheat, rice, coal, kaoliang and other products than hs would receive if silver were not so valuable. The truth of this statement is often questioned by persons who are in the habit of measuring the value of all things, including silver, in terms of gold. The gold price of silver is a poor measure of the value of silver, because the value of gold itself is very unstable.

In China, a proper measure of the value or purchasing power of silver is an average index of the wholesale prices of a large number of commodities. When the average index of the wholesale prices of many commodities is rising, it is reasonable to suppose that the value of silver is falling, since more silver is being obtained, on the average, when other products are sold. Similarly, silver is rising in value when Chinese commodity prices are falling.

To the Chinese producer, the value or purchasing power of silver is of prime importance, because, in general, he sells his products for silver and pays his debts and expenses in silver.

In almost all foreign countries, silver ie not the metal, if any, upon which the value of the currency depends. Silver is bought and sold at a varying price in terms of currency. In such countries, however, the price of silver is not at all a reliable measure of the value of silver, because the value of foreign currencies is constantly changing. Nobody would measure distance with an elastic yardstick, but many persons have just as foolishly tried to measure the value of silver directly by its price in terms of United States dollars, British pounds, or French francs.

A proper measure of the value of silver in a non-silver standard country is the percentage which an index of the price of silver is of an average index of the wholesale prices of many different commodities. If the index of the price of silver rises faster than the average index of the prices of many other things, it is safe to say that the value of silver is rising, since the holder of silver can exchange his holdings for an increasing amount of other commodities. If the price of silver rises, but other prices rise as much, no change has occurred in the value of silver, since it will buy neither more nor less than before.

The value or purchasing power of silver in foreign countries, when properly measured, may be compared directly with the value or purchasing power of silver in China. When the amount of commodities that silver would buy in 1910-1914 is considered 100, the purchasing power of silver in 1887 was 209.2 in China and 209.5 in England.[1] In 1933, the purchasing power of silver was 75.7 in China and 71.1 in England. Such comparisons indicate that the average commodity value of silver is determined in a world market. Factors which affect the value of silver in one country tend to affect the value of silver in all countries.

Since the middle of 1931, the value of silver, both in China and abroad, has shown a rising trend. In China, this trend has expressed itself in falling commodity prices. When 1926 = 100, the index of wholesale prices in Shanghai fell from 130.3 in August, 1931 to 94.6 in April, 1934. In the next 3 months it rose to 97.1, so that the net drop in average wholesale prices to July, 1934, was 25.5 percent. A 25.5 percent fall in prices is a 34.3 percent rise in the purchasing power of silver.

In England, the purchasing power of silver rose from 66.4 in August, 1931, to 100.0 in April, 1934, or 50.6 per cent. At the beginning of this period, the purchasing power of silver was lower in England than in China. One of the characteristics of price movements is that, when average prices change, the prices of basic commodities move more rapidly than the prices of more highly fabricated commodities. The purchasing power of silver in England was very low in August, 1931, because the general average of prices in England had been declining rapidly, and the momentum of this decline had caused the price of silver, a basic commodity, to fall much lower than the average.

At the present time, wholesale prices in England are not declining. The purchasing power of silver is practically the same in England as in China. The purchasing power of silver in the United States is now very similar to the purchasing power of silver in England and China.

Factors affecting the value of silver

Silver is a commodity, just as wheat, rice, iron, and cotton are commodities. Its purchasing power or value is determined by supply and demand. The fact that a part of the demand is for monetary purposes does not alter the situation. A large share of the value of silver in buying other commodities is derived from the fact that silver is demanded as a medium of exchange in buying and selling other commodities.

1. Lewis, A. B., and Chang, L. L., Silver and the Chinese Price Level. University of Nanking Bulletin No. 11 (New series)

Before 1870, a large part of the commercial world used silver, or silver and gold, as a medium of exchange. Because of the widespread demand for silver, its value in terms of other goods was high. After 1870, nation after nation ceased to use silver as a standard of value, and began to depend entirely upon gold. Silver no longer required for monetary purposes was sold by many treasuries and central banks.

The effect of the almost worldwide demonetization of silver was to cause the purchasing power of silver to fall rapidly and almost continuously during the period 1885 to 1931.

This continuous fall in the purchasing power of silver was the cause of the continuously rising level of commodity prices in China during the 45 years ending in 1931.

As a further result of the declining value of silver, the production of silver has lagged much behind the production of other basic commodities, from 1915 until the present time. Silver production is now very low.

Since silver is not a readily perishable commodity, the annual production of silver is only a small percentage of the available world supply. A low silver production for a year or two therefore has little effect upon its value. However, after several years of low production, the value of silver should be expected to rise, unlses an unusual falling off in demand has occurred meanwhile.

Warren and Pearson state that the value of gold reflects changes in annual gold production that occurred 13 years earlier.[1] The value of silver began to rise in 1931, 16 years after annual production had begun to fall behind the production of other basic commodities: but during this period, the monetary field of use of silver was narrowed and much surplus silver was sold by governments and central banks.

A third important result of the long continued fall in the buying power of silver is the desire on the part of silver producing interests to restore as much as possible of the former value of silver. The rising value of gold in gold standard countries, having brought on the decline in prices that began in 1929 in all those countries, greatly decreased the gold price of silver. The silver interests, having debts and costs payable in gold, were thus further stimulated to action designed to "help silver".

Because the decline of prices in the gold standard countries was caused by the rising value of gold, the silver interests have been prominent in suggesting the increased use of silver as a world medium of exchange. This suggestion has met the approval of many persons in gold standard countries whose desire is to improve business conditions and to guard against future depressions.

In July, 1933, the London Silver Agreement was signed by India, Spain, China, the United States, Australia, Bolivia, Canada, Mexico, and Peru. The object of the agreement was stated to be to prevent fluctuations in the *price* of silver. Most of the fluctuations that have characterized the price of silver in gold standard countries duridg the years since the beginning of the World War have been due to changes in the value of gold and to changes in the gold weight of currencies. Disregarding or failing to understand this fact, the delegates made an agreement designed to increase the demand for silver. If silver demand had been stabilized during the period 1914 to 1933, it is certain that wild fluctuations in the *price* of silver would still have occurred.

The most important provisions of the agreement limit the sales of surplus silver by India to 35,000,000 ounces annually for the ensuing four years, and provide that silver-producing countries shall annually purchase or reserve for their own treasuries an equal amount of newly mined silver. India had previously not sold more than 35,000,000 ounces of silver annually, and is therefore only prohibited from expanding its sales. The producing countries, however, are obliged to furnish an entirely new market for 35,000,000 ounces of silver annually. In 1933, world silver production was about 163,000,000 ounces.

In addition to the silver program called for by the London Agreement, the United States has launched an independent silver-purchase program. All surplus silver in the United States is to be purchased by the government, and enough silver is eventually to be purchased so that silver shall constitute one-fourth of the value of the metal reserve behind the paper currency. The President has stated that his object in purchasing silver is to broaden the basis of the currency. It is therefore possible that the United States currency will eventually be redeemable in a certain weight of gold plus a certain weight of silver.

It is also apparently the intention of the United States to persuade other nations, if possible, to take similar action on silver.

In China, debts and taxes are due almost exclusiyely in silver currency, even in regions far in the interior. This fact has undoubt dly discouraged the use of coppers and other local currencies as money in recent years, hecause such currencies have continually depreciated with respect to silver. In recent years, the use of silver as a currency in China has gained. Statements to the effect that China is on a copper standard are based on limited observation or on data that are out of date. The increased use of silver in China has undoubtedly affected its value.

The general conclusions which may be drawn from an examination of data concerning silver supply and demand are (1) that the rise in the purchasing power of silver that began in 1931 was probably due to relatively low silver supply; and (2) that the combination of low silver production and rising world demand for silver are likely to result in a continued rise in the purchasing power of silver.

These conclusions cannot at present be stated as certain predictions, but only as probabilities. Furthermore, any longtime rise in the value of silver will

1. Warren, G. F. and Pearson, F. A. Prices 1933

probably not be absolutely continuous nor regular.

If silver does continue to rise in purchasing power, commodity prices in China will certainly continue to fall, unless monetary measures are taken to prevent this result.

Results of falling Prices in China

What would be the effect upon economic conditions in China if silver should continue to rise in value? This queston is now much discussed, but the answer is not far to seek. The present results of the 1931 to 1934 rise in the value of silver show clearly what may be expected if the rise continues.

This method of answering the silver question is not often used, because so many people have made the mistake of trying to measure the value of silver by means of its price in terms of gold. Since the gold price of silver was fallen until recently, few people have realized that silver has risen in value in terms of most other commodities since 1931.

The rising world value of silver, as stated before, has been expressed in China as a decline in the average level of wholesale commodity prices. When prices decline, the economic machinery is thrown badly out of adjustment, because all prices do not decline at the same rate.

In Wuchin, Kiangsu, the price of products sold by farmers fell from 173 in 1931 to 123 in 1933, when prices in 1910-1914 = 100.[1] At the same time, the prices of articles used by these farmers in living and production declined from 181 in 1931 only to 169 in 1933. In terms of articles purchased, the products sold by farmers in 1933 were worth only 73 per cent as much as in 1910-1914. In most particulars, price relationships observed in Wuchin hold in other parts of China.

The rate of wages paid by farmers in Wuchin not only failed to decline as much as farm prices, but even rose.

In Wuchin, taxes fell as much as farm prices, but this is not typical of other places in China. According to data obtained from crop reporters, farm taxes have in general remained constant or have risen somewhat.[2]

Debts do not change when prices go down. According to crop reporters, about 56 percent of the farmers are in debt, and the average annual rate of interest is 34 percent. The indebtedness is not due to falling prices, but falling prices make these debts difficult or impossible to pay.

Because of the low value of farm produce, farm land values have fallen about 20 percent, accroding to crop reporters; but many farmers cannot sell their land even at that price. When farm real estate is falling in price, credit is hard to obtain. Creditors lose when prices fall, not only because they are unable to collect, but also because the property which was pledged as security declines in value.

Because of these unfavorable price relationships, that prevail whenever the price level falls, more money has flowed out of the interior toward the manufacturing, banking, and import centers than has flowed toward the farmer and rural business man. As a result, much silver has been piled up in banks in Shanghai and other centers.

Many persons have stated that the recent growth of silver stocks in Shanghai has been due to unsettled political conditions in the interior. This probably not true. It is doubtful whether political conditions are any more unsettled now than they have been for years. On the other hand, it is logical to expect silver to accumulate in the cities when prices are falling, for the reasons already outlined. In the United States, when prices were falling after 1929, funds were drained from the rural to the urban centers, but there was on unusual political unrest upon which to blame this tendency.

Although silver has accumulated in the cities during the period of declining prices, banks have had difficulty in finding sound borrowers to whom to lend. The average daily clearings of native Chinese banks in Shanghai fell from 75 million dollars in 1931 to 39 million dollars in 1933.[3]

The reasons why the banking business has declined are to be sought in industry and trade. According to figures published by the Bank of China in its annual report for 1933, the volume of manufacturing business in 1933 was about 75 percent of its 1931 volume. The year 1931 was at the height of prices, and business was especially good. Manufacturing volume in 1931 was about 93 percent of 1930 volume. These figures are averages of individual estimated percentages for 16 industries. In only 3 industries was the 1933 the volume of business greater than the 1931 volume.

The index of the value of common stocks in Shanghai declined from 100 in July, 1931, to 66 in May, 1934.[4] This decline is a reflection of the rising value of money and of the consequent declining profits in business.

When prices decline, the manufacturer finds that the prices of his products fall faster than the rate of wages. Debts do not decline at all. In an effort to cut costs, manufacturers reduce production. They also hope that reduced production will again raise prices. When the general level of prices is falling because of

1. Data obtained by L. L. Chang, University of Nanking, in a continuous study of farm prices in Wuchin, Kiangsu.

2. Dep't of Agric. Economics, National Agric. Research Bureau, Ministry of Industries, Nanking, Crop Reports.

3. Nankai Instsitute of Economics, Economic China, January, 1934.

4. Swan, Culbertosn, and Fritz.

2 3 4 3 9 0 4 0796

the rising value of the money metal, prices may continue to fall even though production is reduced.

The most important result of the reduced volume of manufacturing business is unemployment. Unemployment reduces the income of the working people, and has a direct effect upon the income of shopkeepers. Many shopkeepers fail when prices are declining.

The general result of the rising value of silver of the past three years is a gradually deepening business depression in China. No other result of the rising value of silver is of any importance compared to this.

The statement is frequently made that the rising value of silver will result in increased imports of goods into China. This assumption is absolutely without foundation in fact. As the purchasing power of silver rose, the value of the imports of China fell from 1,433 million Haikuan taels in 1931 to 1,008 million in 1933. When 1913=100, the physical volume of imports fell from 130.1 in 1931 to 99.8 in 1933[1] The 1933 figures include estimates of imports for the separated provinces.

The decline in imports is due to the depressed condition of business in China, which in turn is due to the decline in the general level of prices, which in turn is due to the rising value of silver in terms of commodities.

At the present time, there seems to be little reason for believing that the physical volume of Chinese exports will be affected by changes in the value of silver. Most Chinese exports are raw or semimanufactured materials, the prices of which very quickly adjust themselves to changes in the value of silver. If silver rises in value, Chinese export prices quickly fall; and although silver has become more expensive in terms of foreign goods, yet the fall in export prices in turns of silver has restored the usual relationship between the value of foreign and Chinese commodities.

Under these circumstances, the physical volume of exports from China depends primarily on the prosperity of foreign countries. When 1913=100, the physical volume of Chinese exports was 156.1 in 1928, but fell rapidly during the depression in gold standard countries, sntil it reached 106.3 in 1932. In 1933, with recovery in the countries that had left the gold standard, the physical volume of Chinese exports rose to 122.4[2]

The value of Chinese exports depends upon volume times price. The price depends on the value of silver. Exports were worth 1016 million Haikuan taels in 1929, fell to 620 million in 1932, and rose to 647 million in 1933. The rise in 1933 was due to the increased volume, and occurred in spite of the higher value of silver. These figures include estimates of the exports of the separated provinces.

In general, changes in the value of exports have so far been influenced more by changes in the physical volume of exports than by changes in the value of silver. Changes in volume of exports are due to changes in the prosperity of foreign countries.

During the period 1929 to 1931, the depression in foreign countries discouraged Chinese exports, while prosperity in China (due to the declining value of silver) encouraged Chinese imports. As a result, the "unfavorable" balance of trade increased. At present the situation is reversed. Recovery abroad encourages Chinese exports, while the deepening depression in China (due to the rising value of silver) discourages Chinese imports. If the Chinese depression continues, the Chinese balance of trade may become "favorable." The economic, social, and political damage resulting from a severe business depression is much too high a price to pay for a favorable balance of trade.

When prices fall and depression occurs, governmental income is hard to obtain. Shrinking imports reduce customs receipts, unless the tariffs are raised. Raised tariffs may further discourage imports and eventually do little good. Land taxes are hard to collect because the income of the farmer is low, while his debts and expenses remain high. In times of depression, many new taxes are devised, but even these may not sustain the government. Governmental expenses are difficult to reduce, because they consist largely of salaries, wages, and service on debts. Salaries and wages decline very slowly. compared to wholesale and farm prices, and debts, do not change at all.

Nobody gains what is lost when commodity prices fall. When price fall, the worth of commodities, real estate, and common stocks goes of the same place as the flame goes when a match is extinguished. The inevitable result of depression in that all production is curtailed, and the people's standard of consumption is reduced.

Controlling the value of money

Since Chinese money is silver, and the value of silver is determined by world silver supply and demand, the value of Chinese money is not now subject to control. Since the general level of prices dpends on the value of money, the commodity price level in China is not now subject to control.

If the value of Chinese money could be held down to the present level, wholesale prices in China would not fall further, but retail prices, wages, city real estate values, debts, and taxes would gradually come down to the level of other things. This process of deflation involues business failures, the sale of distressed properties to unwilling buyers, unemploymemt of a part of the workers, sacrifice in the payment of

1. The 1931 index was compiled by Nankai Institute of Economics. The 1933 index was calculated by the author, and includes an estimate of the imports of the separated provinces.
2. The 1928 index was compiled by Nankai Institute of Economics. The later indexes were calculated by the author and include estimates for the exports of the separated provinces.

debts, and all of the other symptoms of hard times. Just how much political, social, and economic difficulty will be involved in the amount of deflation that has already been made necessary by the rising value of silver, none can say with certainty.

If the value of silver continues to rise, as seems much more than possible, all of the difficulties of deflation that are now being faced in China will steadily become more troublesome.

If the purchasing power of Chinese money were reduced to its 1931 level, wholesale prices would rise to that level, from which many fixed costs have not yet fallen. Prices and costs would then again be in adjustment, and the present depression would disappear. It the value of money in terms of commodities were then stabilized at the 1931 level, disastrous depression would not occur in the future.

There are several ways in which the value of Chinese money might be reduced. An embargo on the exportation of silver has been suggested. If such an embargo could be made effective, the value of silver in China would henceforth depend on Chinese silver supply and demand, and not on world silver supply and demand. Some decline in the value of silver in China might result, and wholesale prices in China might therefore rise. If the embargo did result in lowering the value of silver in China below the world value, the embargo could not be lifted without causing a sudden return of deflation in China, unless some fundamental change in the standard of the currency were first made.

The value of the Chinese dollar could be reduced by devaluation. Such a move would not necessarily involve recoinage. New dollar notes could be issued at the rate of, say, 125 to each 100 of the present notes or to each 100 dollars of silver, and the old notes could be retired. The new notes could be made legal tender for the payment of all wages, debts, taxes, government salaries, and other obligations whether or not they had previously been contracted in silver. The old silver dollars could be allowed to circulate at a premium. Current cash deposits in banks could also be written up in terms of the new dollar.[1]

The principal disadvantage of this method of devaluation is that it would involve rather cumbersome machinery for administration. The principal advantage is that it would not arouse any speculation in silver as against banknotes and bank deposits, and is therefore fitted to a situation where much of the silver is in daily circulation rather than in central banks.

If silver should rise in value again, a further devaluation might be necessary.

A third possible method of reducing the value of Chinese money is to abandon the silver standard and place the currency upon a flexible gold exchange or foreign exchange standard. If a foreign exchange standard were selected, the central banking authorities would announce that they would sell foreign currency credits at the rate of, say, 25 cents United States for one Chinese dollar. Foreign correspondents of the banking authorities would be instructed to sell Chinese dollar credits at a similar rate. Allowances for costs would be made in setting the rates for buyiug and selling.

This scheme would involve a recoinage of Chinese silver money. The central banking authorities would purchase silver coins and bullion with the new notes and coins, and would recoin this silver into coins containing, say, only 15 United States cents worth of silver. The face value of the coins. however, would be one dollar Chinese, or the same as 25 cents United States. A considerable coinage profit would thus be made, and this profit would be of use in enlarging the assets of the banking authorities.

This process would reduce the value of Chinese money, which is now worth about 35 cents United States. Prices in China would rise. In future, the price level in China would conform to that in the United States.

If, in future, the United States should manage its currency in a way to cause the value of money to rise, it would be easy to prevent any deflation in China by raising the value of United States money in terms of Chinese money. Lowering the value of United States money in terms of Chinese money would prevent inflation in the United States from affecting China.

The United States currency is not the only foreign currency that might be used as a standard for stabilization. The important points are that

(1) Initially, the value of the Chinese dollar in terms of the foreign currency would be reduced below its current value.

(2) Correspondingly more money would be issued in China, in the process of buying up and recoining the present silver and silver coins.

(3) The new silver coins would be token coins, and would contain less silver than their face value. In other words, a coin containing about a third of an ounce of silver could be used to purchase about half an ounce of silver on that market.

(4) The value of the Chinese currency would be derived from the fact that it could be used to purchase foreign currency credits at a stated value in terms of a chosen foreign currency.

(5) The rate of exchange with the chosen foreign currency would be subject to alteration with the object of holding the purchasing power of Chinese currency stable in terms of commodities in China.

A flexible gold exchange standard would differ only in detiail from the flexible foreign exchange standard just described. Instead of choosing a fraction of a foreign currency as a standard, the central banking

1. A more detailed discussion of this method of devaluation is found in Lewis, A. B., and Chang, L. L., Silver and the Chinese Price Level, University of Nanking Bul. No, 11 (New series).

authorities would choose a certain weight of gold. They would set the gold exchange value of the Chinese dollar somewhat lower than its present gold exchange value. The silver dollars would be recoined with less silver than their face value. These coins would derive their value from their ability to buy, from the central banking authorities, foreign currency worth as much in gold as the face value of the Chinese coin. No gold would circulate as money.

If gold should rise in value, threatening to cause deflation in China, the gold exchange value of the money would be reduced. If gold should become suddenly cheap, threatening inflation in China, the gold exchange value of the dollar would be raised.

The adoption of a flexible foreign exchange or flexible gold exchange standard of currency would furnish an excellent opportunity to stabilize the value of coppers and of small silver coins. The evils of a fluctuating subsidiary currency, in the area under the control of the central banking authorities, could be abolished.

It must be recognized that any change in the currency will be awkward at first to some persons; but if the value of the currency can be brought under control, the initial inconvenience is of no importance.

If the value of silver continues to rise, and this country does not take centralized or concerted action, separate provinces and other political divisions will probably take steps to protect themselves by embargoes on silver exports, by local coinage of paper and copper, by import tariffs, and by other means. This process of currency disintegration has already begun.

Ultimately, if silver continues to rise in value, and on remedial measures are taken, even the largest commercial centers in China will be forced off the silver standard. If matters are thus allowed to drift to their logical conclusion, there is danger that continued depression will have so weakened the country that it will have lost the power to choose where to go after the silver standard is abandoned. In such situations, there is danger of radical control and of unlimited inflation. The conservative policy probably is to act now.

Appendix

Suggested bibliography of study for those who wish to become familiar with the principles governing price movements:

(1) Warren, G. F. and Pearson, F. A., Prices. 1933 New York: John Wiley & Sons Inc. London: Clapman & Hall, Ltd.

(2) Warren, G. F. and Pearson, F. A., Interrelationships of Supply and Price. Cornell Univ. Agri. Exp. Stat., Ithaca, New York. Bul. 466. 1928.

(3) Farm Economics. Publication of Agri. Extension Service, Cornell University, Ithaca, New York. Current numbers and any previous numbers that are not out of print.

(4) Chang L. L., Farm Prices in Wuchin, Kiangsu. Bureau of Foreign Trade, Ministry of Industry, China, Booklet Series No. 19. 1932. Chang, L. L., Farm Prices in Wuchin, Kiangsu. (In Chinese) University of Nanking, Nanking, China, Bulletin No. 8 (New Series). 1933.

(5) Lewis, A. B., and Chang, L. L., Silver and the Chinese Price Level. University of Nanking, Nanking, China, Belletin No. 11 (New Series). 1933.

RECEIVED UNIVERSITIES NOV 20 1934 PRINCETON

ASSOCIATED BOARDS

BULLETIN

ON

CHINA'S FOREIGN RELATIONS

(AND PUBLIC EVENTS IN THE FAR EAST)

1934

1. PROGRESS IN CHINA DURING 1934
2. LOCAL GOVERNMENT REFORM MOVEMENT IN CHINA
3. A YEAR OF PROGRESS IN HOHSIEN (HOCHOW)

by

W. H. Ma

Vol. III No. 1 *Jan. 15, 1935*

PUBLISHED QUARTERLY BY

FOREIGN RELATIONS ASSOCIATION

(FORMERLY INTERNATIONAL RELATIONS CLUB)

C/O UNIVERSITY OF NANKING, CHINA.

PRINTED BY GINLING PRESS

45 HWANG NI-KAN NANKING

NOTE TO READERS

The loss of an important source of income as a result of the general depression has made it impossible to maintain regular monthly publication of the *Bulletin*. Vol. II, No. 7, therefore, was the final issue for the year 1934. There is, however, a moderate sum on hand, and the Association hopes to maintain a quarterly publication beginning with January 1935.

The Executive Committee

PROGRESS IN CHINA DURING 1934

The year 1934 has been a year of many outstanding events in China as in other parts of the world. China, being faced with an unprecedented national crisis resulting from foreign invasion, has experienced another hard year. While other countries are gradually restoring their normal economic life, China has been suffering from the worst of economic depression. In the midst of immense difficulties, however, China has achieved considerable success, during the year, in the re-unification of the country and in the promotion of economic reconstruction. A summary of the major events that took place in China during this year may be of interest to the foreign public.

The writer realizes, of course, the weakness of China's present position, politically, economically, and socially. But there are many, both friends and foes, to stress this side of the picture. While admitting, therefore, the seriousness of China's problems, he prefers to emphasize the favorable elements in that picture.

The Progress in National Unity

It has been the general concensus of opinion throughout the country that a unified China is the primary condition for economic reconstruction and the development of a strong nation. Before 1934 the power of the Central Government extended to only seven or eight provinces under its immediate control. At the end of the year, the situation had greatly been improved. Several events led to this result. In the first place, there took place in Fukien Province at the beginning of 1934 a formidable rebellion against the Central Government, led by the famous 19th Route Army. On account of the rapid movement of the Government troops and also of the unpopularity of the Fukien rebellion, the once invincible 19th Route Army was defeated and its soldiers were either dispersed or absorbed into the Government armies. In February, the leaders of the rebellion, including Generals Chen Ming-shu and Tsai Ting-kai and Mr. Eugene Chen, all left the country. The Central Government immediately took Fukien into its control by appointing General Chen Yi, the Vice-Minister of War, as chairman of the provincial government, and General Chiang Ting-wen as commander-in.chief of the East Route Armies for the suppression of Communists. The success of the Government in Fukien greatly facilitated the co-operation of the anti-communist troops in Kiangsi and Fukien, because the Communist strongholds in southeast Kiangsi could be attacked from three sides. This co-operation is, perhaps an important factor in the defeat of Communists in Kiangsi, a subject which will be dealt with in a later seciton.

In the Northwest, a civil war broke out between General Sun Tien-ying and General Ma Hung-kuei, the governor of Ninghsia province. General Sun, in defiance of the order of the Central Government, captured Tengkow, a city near Ninghsia, in the middle of January. As Ninghsia is so far away from the seat of the Central Government, the latter found it difficult to send troops to assist General Ma, the Government appointee. Fortunately, the Government had secured the co-operation of General Yen Hsi-san, the Governor of Shansi province, and also that of General Fu Tsoh-yi, the Governor of Suiyuan province, both of whom sent troops to attack the rear of General Sun Tien-yin's forces, which were finally disarmed and reorganized. In March, General Sun agreed to retire and is living in Shansi under the supervision of General Yen Hsi-san. The suppression of Sun Tien-yin's rebellion gave the Central Government a good opportunity to work in close co-operation with the Shansi military-political leader, General Yen, who had once maintained a stubborn attitude against the Central Government. It also brought peace to the whole northwestern area in which both the Central and provincial governments desire to begin economic reconstruction.

The elimination of Liu Kuei-tang's forces marked another success for the Government in the establishment of its prestige in the country. Liu rose in rebellion at a point northwest of Peiping and rapidly moved around in several of the northern provinces. His aim was to return to Shantung to re-establish a headquarter there for action embarrassing the Government. In the west of Shantung, he threatened Loyang and Kaifeng. He succeeded in crossing the Peiping-Pukow Railway at a point south of Tsinanfu. His forces actually occupied Kan-Yu *hsien* in the north of Kiangsu. With the assistance of aeroplanes, General Han Fu-chu, in co-operation with General Wang Chuin at Hsuchowfu, finally succeeded on April 22 in dispersing the forces under Liu Kuei-tang. Two days later Liu was reported to have fled to Tientsin in a Japanese steamer. As a result of the suppression of Liu Kuei-tang's rebellion, Han Fu-chu, whose loyalty to the Central Government was questioned, showed a greater desire to co-operate with the Government.

The position of the Central Government was also strengthened by a few other important events. The return of Marshal Chang Hsueh-liang from Europe on January 8, gave General Chiang Kai-shek an opportunity to appoint Marshal Chang as Vice-Commander of Bandit Suppression Troops in Honan, Hupeh and Anhui on March 1. This appointment helped to bring the former northeastern armies into the ranks of the Government troops, and it relieved Hopei of its excessive financial

2 3 4 3 9 0 4
0799

burden in supporting Marshal Chang's armies. Marshal Chang devoted himself to the task assigned to him with energy and no little success. He supported the Generalissimo consistently for he has a firm belief in the doctrine of national unity. Other important local generals showed the same attitude toward General Chiang. On June 7, General Han Fu-chu, the chairman of Shantung provincial government, visited the capital and interviewed the leaders of the nation. In November, General Liu Siang, military leader of Szechwen, came out of his native province for the first time in his life and visited General Chiang at Nanking. At the end of two weeks' discussion between the Government leaders and General Liu, an agreement was reached by which the Central Government would send a general staff of officers to Szechwen, representing the Generalissmo, to direct the campaigns against the Communists. Moreover, the Finance Minister was asked to send to Szechwen a special commissioner whose responsibility would be to reform the currency system and to stabilize the budget of the province. Finally, the civil government of the province under the chairmanship of General Liu was organized at the order of the Central Government. All these arrangements tend to prove that Szechwen, a province long regarded as an outlaw, is ready to accept the orders of the Central Government.

More significant than these signs of unity was the fact that General Chiang Kai-shek and Madame Chiang in October and November made an extensive tour of almost every province in the northern half of China, including Shantung, Hopei, Shansi, Charhar, Suiyuan Shensi and Kansu. As General Chiang has demonstrated his ability in suppressing theKiangsi Communists and his strong character in devoting his life to national duties, he has won tremendous respect for himself throughout the country, and his visits in the provinces made deep impressions on the local leaders. His visit with General Yen Hsi-san at Taiyuan was of special interest to impartial observers, for the latter has thus far shown a luke-warm support to General Chiang's policy. It is believed that these local leaders whose loyalty was questioned would co-operate with General Chiang in working for the good of the country. In the South, where opposition to the Government was strongest, a desire for unity was indicated by the fact that at the proposal of Generals Chen Chi-tang and Li Tsung-ren the Political Council at Canton adopted a resolution which restrains the Cantonese authorities from issuing any independent proclamations that might mislead the world about China's unity. On the other hand, the two Cantonese military authorities asked General Chiang to permit them to send troops to Kweichow in order to pursue the Communists and attack them from the rear.

The Successful Campaign Against Communists in *Kiangsi and* the *Communist situation* in *Szechwen* — The Chinese "Soviet Republic" which has had its capital at Juikin in southwest Kiangsi has constituted a menace to the authority of the Central Government for six years. This Red capital was formidably defended by such fortified districts as Hweichang, Yutu, Hingkuo, Kwangchang, Shihchen, Changting, Nanfeng and a few less fortified cities. Previous campaigns against these cities held by Communists had resulted in terrible failures for the Government. Beginning with 1933, General Chiang Kai-shek adopted a "go-slow policy" by which he began to build roads and block-houses and to blockade the Communist area. Moreover, he used Kuling as a headquarter to give moral and spiritual training to his officers (most of the armies in the north had sent representatives to Kuling for training) in order to build up a strong fighting morale. His scheme worked successfully. On March 31 Nanfeng was captured and on November 10, Juikin, the Red capital fell into the hands of the Government troops. The other Red strongholds followed. The remnants of the Communist trpops still numbering 90,000 strong, left Kiangsi with Szechwen as their goal. Their march was interrupted by Hunanese, Cantonese and Kwangsite troops on the borders of those three provinces. It is reported that only 40,000 Communists have escaped to Kweichow province. The Central Government troops have already reached Kweichow and, at the time of writing, they are engaged in fighting against the Communists at Cheng-yuen and Hwang-ping, two cities on the east of Kwei-yang, the capital of Kweichow province. By the time the Communists get to Szechwen, if they ever succeed in getting there, their strength is likely to be greatly weakened.

The Szechwen Communists were led by Hsu Hsiang-chien. Formerly, Hsu had his headquarters in the border districts of Hupeh, Honan, and Anhui Provinces. In 1932, his forces were dispersed by the Government troops and Hsu fled with his remnants to the Northwest. When checked by Shensi troops under General Yang Hu-chen, Hsu and his men went to the North of Szechwen. Because of persistent internal struggles between the war-lords of Szechwen, Hsu Hsiang-chien found an excellent opportunity to establish him in the North of Szechwen. The Communist district now includes Tung-kiang, Nankiang, Pachung, Yilung, Hsuanhan and Suiting, on the northeast of Chentu and Chungking. The north of the district borders on Shensi and Kansu. When General Liu Siang asserted his dominance in Szechwen, he found the Communist influence so formidable that he had, as we have seen, to beg assistance from the Central Government. The general staff has now reached Hankow and is ready to go to Chungking at once. The Central Government troops stationed in Kansu and Shensi have been ordered to co-operate with the Szechwen troops in launching an attack against the Communists. General Hu Tsung-nan, commander of the first division of the Government armies had led his men from Kansu to Chao-an and Kwangyuen in the northern border of Szechwen. When these forces under unified command advance against the Communists from four sides, it is believed that the Red situation in Szechwen may ultimately be brought under the Government control.

Th· New Life Movement — On March 11, General Chiang Kai-shek addressed a mass meeting of 100,000 people at Nanchang and outlined the principles of what eventually became known as the "New Life Movement." General Chiang, having had so much experience in public life, became aware of the need of reforming the habits of the officials and the people as the foundation for real reconstruction in China. He advocated the cultivation of such qualities as orderliness, cleanliness, simplicity and frugality. The teachings of Confucius about "Li, Yi, Lien, Chih" (good manners, chivalry,

honesty, and consciousness) were taken as a motto for the movement. Immediately, the country as a whole responded to General Chiang's suggestion. Associations were organized in various cities to promote the movement. The principles of this movement were reduced into workable regulations and rules governing the social and private life of the people. Feasts, for instance, are limited to ten dollars a table. Smoking on the streets is to be prohibited. Wedding ceremonies are to be performed in the simplest manner. Officials must attend their offices promptly and regularly. Many are valuable for the improvement of individual character, though some of these rules may be impractical. Should this movement be carried out successfully, a complete transformation of the nation may be accomplished.

Political Progress — As soon as the Fukien Rebel lion was subdued, the Central Executive Committee of the Kuomintang party held its 4th plenary session on January 20. At this conference, it was emphasized that the Central Government should have the support of local government in suppressing Communist influences in China. The party also laid stress on the economic development of the country. The fifth plenary session of the Central Executive Committee was held onDecember 10, when the Kiangsi anti-Communist campaigns had already come to a victorious conclusion. The session was marked by an atmosphere of harmony and mutual understanding. The members refrained from making high-sounding proposals. They all agreed that the party should devise means to work out its established policies and programs. The most significant act of the conference was the adoption of the five-principle program for the clear division of powers between the Central Government and provincial governments, proposed by General Chiang Kai-shek, Chairman of the Military Affairs Commission and Mr. Wang Ching-wei, President of the Executive Yuan. The propsed five-point program is as follows:

(1) Law enforcement — The Central Government will fix general principles only, while detailed articles and ways of enforcing them will be drawn up by various provincial and municipal government.

(2) Problem of personnel — The authority to appoint officials should be vested in the Central Government, while the selection and recommendation of them will be made by the provincial authorities on the basis of their prescribed qualifications. To ensure security of employment, their tenure of office should be on the principle of three years, and no government employees should be discharged without proper grounds, while those who prove themselves capable during their term of office shall be recommended for reappointment to a second term.

(3) Local administration and economic planning — Plans should be made by provincial governments on the basis of local requirements, together with budgets and estimates, to be submitted to the Central Government, for approval. After approval is granted, the Central Government, apart from investigating from time of time their achievements should not interfere with their progress.

(4) Central and local finance — A clear demarkation should be drawn between national and local revenue and expenditure. All national revenues, like customs revenues and others, should be remitted to the Central Government, while subsidies may be granted where there is a deficiency in local finance.

(5) National and local armies — A standard should be fixed as to what constitutes the national army and provincial forces. For purposes of national defence, the national army shall be under the centralized control of the Central Government, while provincial forces, such as police, peace preservation corps, and militia units, shall be under the control of provincial government, with the number fixed by the Central Government. Purchases of fighting equipment from abroad, either for the national army or for provincial forces, should be filed by the Central Government, so as to standardize the fighting equipment in the various army units in China.

This proposal, being practical and well-balanced, was not only endorsed by the Party but also upheld by the people. The adoption of the proposal was especially appropriate at a time when the Communist forces in Kiangsi were defeated, for it would allay the fears in Canton that the Central Government might have strength to interfere with provincial affairs in the South. The proposal was made also as an attempt to win the co-operation of the Cantonese leaders, particularly Mr. Hu Han-min, the veteran statesman of the Party, in the management of national affairs during the national crisis. Dr. Wang Chung-hui, the Chinese judge of the Hague Court, and Mr. Sun Fo, the President of the Legislative Yuan, went to Hongkong and Canton as representatives of the Central Government to discuss with the southerners ways by which they could come to Nanking to serve in the Government. It is said that Mr. Hu Han-min has modified his attitude toward the Central Government and is considering plans which he can work with the statesmen of Nanking to save the nation from ruin.

Reconstruction and Reforms

According to a report made by the Minister of Railways, the Lunghai Railway, one of the trunk lines in China running from East toWest,has achieved important progress in 1934. At its eastern end, the railway has extended to the sea-coast at Lao Yao where a modern pier has been built for the anchorage of sea-going steamers. At the end of the year, the Hsi-An section, (Hsi An is the captial of Shensi province), was open for service. Work will continue until the railway extends to Kansu and Sinkiang in the farthest West. The railway running between Hangchow and Kiangsan in Chekiang province has proved very useful and prosperous. Between Wuhu and Hsuanchen, in Anhui, a new railway has begun its operation in the summer of 1934. On the east the Wuhu railway is to be connected with the Shanghai-Nanking Railway, and on the south the railway will be extended to Chekiang, Fukien, and finally Kwantung provinces. The Canton-Hankow Railway is being built rapidly, and is expected to be completed by the end of 1935.

Road building is feverishly going on everywhere in

China. Thousands of miles of roads have been completed in Kiangsi and Fukien provinces. The conservancy of the Yellow and Hwai Rivers, both regarded as sources of numerous famines, has been undertaken by the Central and provincial government. Finally, it must be noted that several of the provincial governments, notably Kiangsu under the chairmanship of Mr. Chen Kuo-fu, and Shensi under the chairmanship of Mr. Shao Lih-chih, have made important reforms in their respective governments and administration, particularly in the finance. The reforms carried on in several of the hsien districts have been considered in detail in another article of this Bulletin.

Foreign Affairs — In foreign relations, China has not developed any positive foreign policy but has been content to work out a *modus vivendi* in her relations with the Japanese in North China and elsewhere. Kupeikow, a pass on the Great Wall, was restored to China on March 4. Through railway traffic between Peiping and Mukden was resumed on July 1. On December 28, it was unofficially announced that the postal service in Siberia would be resumed on January 10 of the new year, and later it was made known that unofficial agencies had been established at Shanhaikwan and Kupeikow to take charge of mails to and from the Three Eastern Provinces. A special kind of stamp is provided for letters coming in from the lost territory. So long as the Tangku Truce remains in force, the Japanese can exercise important influence in North China, particularly in the so-called demilitarized zone to the east of Peiping and Tientsin. General Hwang Fu, the chairman of the Peiping Political Affairs Commission, has maintained a conciliatory attitude toward the Japanese and thus far has their friendship in executing his policies.

In Nanking, there took place on June 8 a curious incident when the Japanese vice-consul Kuramoto suddenly disappeared. The Japanese Foreign Office instructed Mr. Suma, the consul-general at Nanking to make strong representations to the Chinese Government and to hold it responsible for Kuramoto's disappearance. The atmosphere was tense throughout the country, fearing that Japan might take it as a good pretext for developing another major international crisis. Fortunately, Kuramoto was found at the foot of Purple Mountain and was safely handed over to the Japanese consulate.

On April 17, an important enunciation of policy was issued by a spokesman of the Japanese Foreign Office warning other countries to keep their "hands off" of China's economic reconstruction. It aroused the opposition of Great Britain and the United States, as the policy was equivalent to the abolition of the open-door doctrine. In face of unfavorable world opinion, Japan finally, decided to drop her declared policy. She insists, however, that Dr. Rajchman, the liaison officer from the League, should not return to the Far East as he was engaged in political activities in China.

China's relation with other countries remained on friendly terms. Mr. Sun Fo called on President Roosevelt when both visited Hawaii. The silver policy of the United States has seriously disturbed the currency situation in China, and the latter is trying to convince American statesmen in a reasonable way of the need to modify their policy. On the other hand, the United States, in sending a trade commission to China is looking forward toward closer commercial relations between the two countries. The appointment of Sir Alexander Cadogan as British Minister to China is an asset to the continued friendship between the two countries. A Sino-British cultural society was organized at Nanking which in collaboration with the British Boxer Indemnity Committee, is working toward mutual understanding. The visit of Mr. Hwang Mo-sung to Tibet did not give rise to any apprehension on the part of the British statesmen at home, although some vernacular papers were sensitive about it. In Sinkiang, our relations with Soviet Russia still constitute a source for anxiety. Very little news has leaked out from that province, but it is suspected that Soviet agents are asserting dominant control of the affairs in Sinkiang. Although the League has disappointed the Chinese, China is still willing to co-operate with it in the maintenance of international peace. This is evidenced by the fact that China has employed a large number of League experts to assist it in the execution of its reconstruction programs.

China's Present Problems — As one reads these lines about China's progress in 1934, one may realize that the task remaining before the Government and the people is stupendous. The campaign against the Communists in Szechwen will prove a more difficult job than that in Kiangsi. The effects of economic depression on the life of the people become ever more serious from day to day. The huge mass of peasants find their living conditions almost unbearable, though the Chinese are known for their industry and perseverance. Poverty is the key word explaining the social and economic situation in China. A real and solid unification of the country needs to be accomplished in order to facilitate reconstruction work. The termination of the Washington Naval Treaty has increased the apprehension of the Chinese people about future difficulties in the Far East. The Sinkiang situation is not altogether clear and none too happy. The Government is faced with difficulties both from inside and from other countries. Such is a summary of problems that are going to require the wisdom and energy of the Chinese statesmen during 1935.

The progress in China during 1934 is shown in the map on the opposite page.



LOCAL GOVERNMENT REFORM MOVEMENT IN CHINA

One salient fact in the present reconstruction of social and economic systems in China is the attempt on the part of both the central and provincial governments to introduce reforms into the government and administration of various county or *hsien* districts throughout the country. A *hsien* is an important unit of local government acting as agent of the provincial government for the administration of the laws of the nation and the province. Normally, a *hsien* district consists of an area which runs over four thousand square miles. In Kiangsu province, for instance, two *hsiens* have each an area of over 17,000 square miles, thirteen *hsiens* have areas over 7,000 sq. m. each and nineteen *hsiens* over 4,000 sq. m. each. In population, a normal *hsien* usually has 200,000 to 300,000 people. In Chekiang province, in eighteen *hsiens* the population runs between 100,000 and 200,000, in eighteen *hsiens* between 200,000 and 300,000, and in thirteen *hsiens* between 300,000 and 500,000. Almost every one of the *hsiens* has a city wall—picturesque symbols of China's civilization—in which the government of the *hsien* district is situated. Around this city wall and throughout the *hsien* district as a whole, there are a great many urban and rural districts, variously called *Chu* (district), which include both *Cheng* (town or township), *Siang* (country) and which in turn are divided into still smaller sections. The people of all these subordmate areas invariably regard the *hsien* as the unit of their social and political life for it is the *hsien* government to which they pay their taxes and by which their civil and criminal cases are settled. For hundreds or thousands of years, the *hsien* has been the fundamental unit for the administration of national and provincial laws. The governmental system is old, and the traditions, both good and bad, are deep-rooted. The reorganization and modernization of the *hsien* government will lay a solid foundation for the improvement of the life of the people and also for the promotion of national reconstruction.

The establishment of the so-called experimental *hsien* in various parts of China is a real step leading toward the reconstruction of all *hsien* governments in this country. Some reform experiments are being made in certain *hsiens* in Shansi, Kwangsi and Kiangsi provinces, but the following five *hsiens* in which actual and comprehensive plans of reform are proceeding are the only ones which deserve our close attention: Kiangning *hsien* in Kiangsu province, Nangchi *hsien* in Chekiang province, Tinghsien in Hopei province, and Cheoping *hsien* and Hotseh *hsien* in Shantung province. All the experimental *hsiens* are still in an infant stage, and the experiments have not been fully tried out. Cheoping was made an experimental *hsien* in 1931 and the rest in 1932. In Kiangning, Cheoping and Hotseh, the *hsien* governments are granted by their respective provincial governments autonomous powers in formulating plans and laws for the reconstruction and administration of their own districts. In Tinghsien and Nangchi, the provincial government still retains its power of supervising as well as controlling the progress of the *hsien* government. It is also interesting to note that back of each of the five experimental *hsiens* there is an institution of learning or of social service which provides leaders and workers. The two governments in Kiangning and Nangchi are chiefly operated by professors and students from the Central Political Institute at Nanking. The Institute of Rural Reconstruction at Cheoping is wholly responsible for the reorganization of the *hsien* governments at Cheoping and Hotseh. The China Association for the Promotion of Mass Education, under the leadership of Mr. James Yen, is responsible for the various experiments carried out in Tinghsien. As the status and backgrounds of the five *hsiens* are different, we may here summarize their methods and compare their results, which may be of interest to students of government and to those who are anxious to see progress in China.

Kiangning hsien - Kiangning, a *hsien* of 1837 sq. m. and 434,000 people was made an experimental *hsien* in 1932 when Professor Mei Sze-ping, head of the Department of Government and Administration of the Central Political Institute, was appointed as magistrate. He occupies an unusually favorable position for the experimentation in hsien reconstruction. In the first place, his district constitutes the suburbs of Nanking, the new capital of China, where the metropolitan municipal government is rapidly building up a city with all its modern requirements and conveniences and where Professor Mei can easily obtain support from political and intellectual leaders. As has been stated, he is closely connected with the Central Political Institute from which he can select reliable students for his subordinates as active workers. Secondly, he was granted exceptional privileges by the Kiangsu provincial government, to which Kiangning belongs, in that he can disregard the general laws and statutes of the province and formulate and issue laws and ordinances specially suited to the needs of Kiangning *hsien* alone, he can apply all the revenues of Kiangning to the purpose of reconstruction inside his district; and there is organized a special commission on *hsien* government for Kiangning to which Professor Mei submits his plans and proposals and from which he secures authority and support. With these special advantages delegated to him, Professor Mei has been able to achieve tremendous success in a short time;—February 1933 to October 1934, when the data of the progress of Kiangning was made public.

As soon as he was inaugurated as the magistrate of the Kiangning experimental *hsien*, Professor Mei immediately began to reorganize the administrative organs of the *hsien* by eliminating, rightly and courageously, all corrupt elements. Their places have been taken by educated and responsible youngmen. Among his one hundred and ten employees, he has forty-eight college graduates, thirteen graduates of technical schools, thirty-eight high-school graduates, five students of college grade and only six who do not hold any diplomas. For the sake of administrative efficiency, he abolished the *Chu* or district governmental organization and reduced the number of *siang* and *cheng* units from 295 to 88. All the heads of the country or town governments who were formerly elected by the people are now appointed by the magistrate, the people in general not being well prepared to exercise intelligently election rights. Then the magistrate has appointed seven directors of local self-government who travel in circuit in the *hsien*, directing the people in such local self-government problems as public health and local self-defence. Professor Mei's success in financial reorganization is of great importance not only for the gradual execution of his reconstruction schemes but also as an example for other *hsiens* to follow. In 1930, the revenue from taxes of the *hsien* amounted to $344,729 local currency, but in 1933 the total income of the *hsien* runs up as high as $901,276. Previous to the establishment of the experimental *hsien*, less than fifty per cent of the taxes could be collected and remitted to the government, the remainder was either uncollected or disappeared in squeeze. After Professor Mei came, more than ninety-one per cent of the taxes are collected by the government. Furthermore, he has reduced the rate of the land tax from ninety-six cents a mow to eighty-nine cents a mow. His successes are chiefly due to his determination in eliminating graft and squeeze, in employing reliable and honest persons to collect the taxes at the seat of the government and its designated branches, and, finally, in requiring the people to register their lands in a more scientific way with the *hsien* government which, before this time, did not possess an accurate knowledge of the exact amount of land inside the hsien. Before the registration, the records show that there were only 1,150,000 mow of land in Kiangning. After the registration, the taxable land wes increased to 3,400,000 mow, more than double the pre-registration taxable land.

Professor Mei's preliminary successes in the reorganization of the administration and finances enable him to carry out his reconstruction work in education, road construction and economic development. There are in Kiangning altogether 68,000 children of the school age, but only 3,492 of them went to school before Kiangning was made an experimental *hsien*. After one year of experimentation, there are now 13,976 pupils in school. Besides regular school, there are 103 popular schools for adults which accomodate at present a total of 4,570 students. Throughout the *hsien*, the government provided also 102 public athletic grounds, 120 periodical reading rooms and 82 agricultural demonstration farms. In road construction, Kiangning spent $130,000 last year in building a road from Nanking to Hushu Cheng. In improving the communications between the various country districts of the *hsien*, a total of $96.000 has been spent. Professor Mei declared that the government will spend $200,000 more for road construction. Professor Mei also pays a great deal of attention to rural or economic improvement. As a result of his effort to improve the methods of silkworm culture, the peasants of the whole *hsien* made a total profit of $150,000, Professor Mei declared. According to the investigation of the *hsien* government, there are a total of 120,000 mow of waste-land. Professor Mei has decided to utilize 20 000 mow of this land for planting mulberry trees and gradually to make use of the rest of the waste-land for cotton cultivation. In Kiangning, 4,000 mow of land will be used for the cultivation of good wheat and rice seeds which will be distributed to the farmers of the *hsien*. The government has also built three large storehouses, each accomodating 20,000 *tan* (piculs) of grain, to be used by the co-operative associations for storage and collective transportation to the market. In preventing drought and flood, Professor Mei said that Kiangning may utilize the electric power of the Nanking municipal power company for irrigation as well as for drainage.

Nangchi hsien - Nangchi, a *hsien* in south-western Chekiang, was converted into an expesimental *hsien* a little later than Kiangning in the same year. Another professor of political science at Central Politcial Institute, Mr. Hu Chih-wei, was appointed magistrate of Nangchi by the Chekiang provincial government. He was like Professor Mei also assisted by a number of graduates of the same institute. His methods are more or less the same as those applied in Kiangning, but his powers are not so extensive as those possessed by Professor Mei at Kiangning. Mr. Hu in Nangchi is required to enforce the laws and ordinances of the provincial government, although he may, when necessary, make petition for the modification of some of those laws to suit his needs. Furthermore, he must remit the revenue of the so-called provincial taxes on land to the provincial treasury, retaining only the income from the surtaxes on land for local purposes.

Although his powers and financial income are restricted, Mr. Hu has achieved important reforms for his *hsien*. In the first place, he has succeeded in consolidating the organization of the *hsien* government and its administrative organs. He has abolished all the independent bureaus for education, finance and construction; and concentrated all the administrative officers in the magistrate's office, where the work of the various departments can be effectively co-ordinated and supervised. More than twenty special commissions established for various local purposes were abolished, saving for the *hsien* a total annual expense of $6,006. In place of these wasteful and useless organs Mr. Hu has established an advisory commission for the *hsien* government calling on local intelligentsia to assist him in the execution of reform plans. In the second place, his improvements in the collection of land taxes are worthy of imitation in other *hsiens*. He found that the scientific method of measuring the land of each individual owner for the purpose of reassessment is too expensive and beyond the ability of a *hsien* government to undertake. Other methods like registration of lands and compilation of bounding maps and land-ownership records, are also very expensive. Mr. Hu has succeeded in compiling a complete record of the various kinds of lands together with their owners in a short time by tactfully requiring the collectors, one hundred and two in number to make out duplicate copies of the records which they have always kept in their own hands as guarantees of their positions. He spent only $7,000 in doing this. Consequently, the revenue from the assessed land taxes for his *hsien* during the past year increased from forty per cent to more than eighty per cent. As Nangchi is very close to Fukien province, where the communists had been active and where the rebellion of the 19th Route Army

took place, Mr. Hu's work was chiefly confined to reorganization and to eliminating corrupt elements in his *hsien*, such as rascals, opium smokers, and the Red followers. He has arrested more than a thousand criminals engaged in the business of morphine and heroine, more than two thousand communists, and started to train the people of the one hundred and seventy-eight *siangs* and *chengs* to preserve order in their respective areas. Granted that Mr. Hu may have the time, he will be albe to reconstruct Nangchi as a modern *hsien*.

Tinghsien - Tinghsien has become a popular name not only in China but also in other parts of the world, becaues the China Association for the Promotion of Mass Education, under the leadership of Mr. James Yen, has during the past seven years made the *hsien* a laboratory for spreading popular education and for introducing economic reforms. But Tinghsien, as a political district, was not made an experimental *hsien* until October of last year, when Mr. Hoh Luh-ting was appointed the magistrate. Unlike Kiangning and Cheoping, Tinghsien is still bound by the laws and ordinances of the provincial government. It cannot use all the local revenue for *hsien* reconstruction, because a large proportion of the land taxes are alloted to the provincial government. These limitations, however, do not prevent Tinghsien from becoming a leading experiment station for *hsien* government, since Mr. Yen and his staff have , by their continuous labor and thought, improved the intellectual level of the mass of Tinghsien population. Mr. Yen expects that the results of his experiments in Tinghsien can be applied in other *hsiens* throughout the country. Since Mr. Yen's experiments in mass education and economic reforms are so varied and numerous they can best be described in another paper. The new government of Tinghsien, only about a year old, has achieved so little in comparison to the work of the China Association for the Promotion of Mass Education that we have not enough material to make a report here.

Cheoping hsien - Cheoping is the oldest of the five experimental *hsiens*. It is situated in the eastern part of Shantung province and has an area of 2,623 sq. m. and a population of 155,768. Mr. Liang Sheo-min, formerly professor of philosophy in the National University of Peking, is the leading person in the movement for the reconstruction of the *hsien* government and rural life. He has established at Cheoping an Institute of Rural Reconstruction which makes studies of principles and methods for the promotion of rural reconstruction and trains students who can be employed in various *hsiens* in Shantung to put these principles and methods in operation. At Cheoping, Mr. Liang has been able to work out a coordinating link between his Institute and the *hsien* government, the former is responsible for the formulation of theories or plans and the latter for the actual execution of new schemes.

The Institute, under the leadership of Mr. Liang, has produced a philosophy of its own for the reconstruction of rural life. The essence of this philosophy is to combine the political administration and educational administration into one system, called *Cheng Djiao Hoh Yih*, meaning to educate the people while you govern them. The *hsien* is regarded as a big school and all the people are taken as students called by Mr. Liang as *Hsioh Chung* (learning public). At the government seat of the *hsien* is the center of the school, and its branches are established in the country districts and villages. The curriculum of the schools includes subjects which would help the public and private life of the students. The principal and teachers of the schools are required not only to teach the students in these subjects but also to behave like guides of the people in their civic and ethical life. The immediate object of this political-educational school is to assist the people to build up their economic life, but its ultimate object is to train the people for self-government, which will enable them to improve their living from time to time.

With the establishment in 1931 of Cheoping as an experimental *hsien*, Mr. Liang began to apply his philosophy to its reconstruction. First of all, he abolished all the duplicate and separate organs of the *hsien* administration, and consolidated the organization of the *hsien* governments. Before Cheoping was made an experimental *hsien*, the monthly budget of its government was around $1,000, which is barely sufficient to cover the salaries and allowances of the officials, leaving no money whatever for reconstruction. Mr. Liang secured the approval of the provincial government in retaining thirty per cent of the provincial taxes for local expenses. The annual sum of this subsidy of the provincial government amount to $58,171. In abolishing the independent bureaus of the *hsien*, Mr. Liang has been able to consolidate the revenues from land surtaxes and other miscellaneous taxes. The total of these local taxes amounts to $109,819 a year. With this increased income, the government was enabled to start its reform programs. The salaries of the government employees were increased, but the old corrupt practices of graft and squeeze were eliminated.

On the reconstruction side, his reform program is represented by the training of the people along four lines, self-government, popular education, minimum of wealth for a higher standard of living, and ability for self-protection (Cheng, Djao, Fu, Wei). Taking the last first, Mr. Liang started to train the people for self-defence. Each village of the *hsien* must send some representative strong young men to the seat of the government for military training. Already two thousand young men have received two months military training at Cheoping. After they receive this training, these young people return to their respective villages to help train the rest of the village people in self-defence. In this way, a strong local militia has been organized, able to defend the *hsien* against banditry and highway robbery. In improving the economic life of the people, Mr. Liang began to help the farmers to organize various kinds of co-operative societies, such as store-house co-operatives and cotton-marketing co-operatives. The co-operatives are utilized to concentrate the capital of the *hsien*, and the farmers may borrow at low interest from the co-operative societies. The Institute of Rural Reconstruction then makes experiments in helping farmers to improve their methods of seed-selection and cultivation. As mentioned above, Mr. Liang desires to combine educational and governmental administration into one united system in his *hsien*, so he has established in the country and village districts rural sohools which are commissioned to do the teaching and governing together. Partly through inspiration and partly through compulsory methods, the farmers are led to learn to read. Children are given both academic and vocational training with which they can either go to superior schools for further schooling or join certain trades to earn a living. The teachers are at the same time heads of the villages. On the one hand, they teach the people to read and write; on the other hand, they settle disputes for the people and guide them in civic life. The people may frequently gather together at the school for social contact and also to discuss local problems of common interest. Ultimately, the people will learn how to govern themselves to complete the training of the people in the four phases of their life, self-government, popular education, increased wealth for living and ability for self-protection.

Hotseh hsien - Hotseh is situated in western Shantung. Like Cheoping, it was converted into an experimental *hsien* under the auspices of the Institute of Rural Reconstruction. Mr. Swen Nien-chuen, a close colleague of Mr. Liang Sheo-nim, was appointed the magistrate. Being too far away from Cheoping, a branch Institute of Rural Reconstruction was established at Hotseh, with Mr. Swen as its president. At this early stage of experimentation, Mr. Sween has not achieved much beyond reorganization of the *hsien* government and the preservation of local order, which have proved, however, highly commendable as Mr. Swen has shown so much courage and wisdom in carrying them out. He followed the example of Cheoping in abolishing duplicate and independent organs and in consolidating the administrative organization of the *hsien* government. At Hotseh, there was a public safety bureau consisting of eighty-three police men. As there were only eight rifles which can be effectively used, the police organization was not able to protect the order of the *hsien*. On the other hand, it spent each year $40,000 for salaries and other expenses. Also the *hsien* government spent a total of $21,000 for the maintenance of village guards (recruited) which proved equally inefficient and wasteful. Mr. Swen determined to get rid of the policemen and the guards; cnd utilized the money to train the people to take aharge of self-defence. Consequently, he has trained 4,000 men as local militia which can be mobilized by the order of the *hsien* government and concentrated at the government seat for self-defence. Already this militia has been able, last winter, to prevent two large groups of bandits from looting the *hsien*. Due to the effort of the same organization Hotseh was saved from the flood of the Yellow River last summer. Mr. Swen concludes that the people when properly organized and led can be relied on to do reconstruction work, such as the building of roads and digging of canals.

Conclusion - All the five *hsiens* under experiments seem to be enthusiastic in carrying out various schemes of reform. All the new magistrates found that the old system of government and administration was inefficient and wasteful. Concentration of organization has been the tendency of everyone of the *hsiens*. Financial administration and systems of taxation have been successfully reorganized that there is a greatly increased income for each government. The governments have devoted their attention first to the maintenance of local order then to the improvement of agriculture and the development of industry, and finally to the propagation of popular education. None of them desires immediate introduction of local self-government to the *hsien* and its subordinate districts, all of them are relying on a paternalistic system of government for the realization of reform plans.

The intellectual public of the country as well as many outside abservers are convinced that the reform of *hsien* government is the foundation of national reconstruction. Without good *hsien* government, the life of the people who are under the yoke of corrupt officials and oppressive taxes cannot be improved. Before the *hsien* reconstruction is successfully accomplished, any talk of national democracy is likely to be impractical. When the *hsien* government remains backward, all attempts at economic, social, and educational reforms must necessarily end in failure, lacking support of proper authorities. Finally, the propagation of popular education among the masses is the first step leading toward national unity, for education helps to arouse national consciousness and loyalty. As the *hsien* is such an important unit of government, one is tempted to add that the reform experiments should not remain as experiments, the principle of reform should be applied in all *hsiens* throughout the country as soon as possible. Furthermore, it is essential that both the Central and provincial governments should have the courage to introduce reforms in all grades of government whenever desirable.

A YEAR OF PROGRESS IN HOHSIEN (HOCHOW) [1]

In a previous report published in this Bulletin[2], the writer has described how Mr. Liu Kwang-pei, the new energetic and enlightened magistrate of Hohsien, has introduced reforms to his *hsien*. After a year[3] of strenuous but successful effort, Mr. Liu made sub stantial progress in the administration of finance and justice and

1. Meterials of the present article are largely drawn from the correspondence of Professor Bailie written for the *North China Daily News*.
2. See *Bulletin*, Vol, II, No. 4.
3. Mr. Liu was inaugurated on the first day of the China New Year, i. e., Feb. 14, 1934.

in the promotion of economic reconstruction in Hohsien.

The *hsien*, as indicated elsewhere in this Bulletin, has been an old traditional unit of government which ruled and rules the people directly. For years also, the collection of land taxes was left in the hands of a group of recorders and collectors who acted as agents between the government and the people. Hohsien is not an exception to this rule. The government authorities have no means of finding out the exact area of land of each individual owner, for there is no map showing the divisions of lands according to their owners. The only data which the magistrate's office can rely on for collection of taxes are held in the hands of recorders and collectors. In Hohsien, there are about one thousand such recorders and collectors,-900 recorders and 100 collectors. The recorder keeps an account of the amount of property owned by every individual in his own precinct and also the transfers made from time to time. The collector of each section receives reports from his recorders and draws up a book, containing data of land areas and ownership, to be submitted to the magistrate's office. The office prepares a book of receipts corresponding with the collector's book, on the basis of which the collectors proceed to collect taxes from the people. These one thousand recorders and collectors receive no salaries but are allowed to collect from each tax-payer ten cents commission, which has been the root of graft and oppression.

The new magistrate determined to eliminate these evils. First of all, he required the collectors to submit a complete list of the recorders in their respective sections. Under the powerful compulsion of the strong-willed magistrate, the collectors had to obey. When the recorders were called in to the office, Mr. Liu ordered them to make out a copy of the books on land and individual owners. They had to remain in the office until the books were finished. As soon as the magistrate got hold of a complete record of property holdings in Hohsien, he refused to allow the collectors to collect taxes outside of the magistrate's office. The people are hereafter required to pay their taxes directly to the magistrate's office, and they get proper receipts for the amount actually paid. The office gets the money and the people are satisfied because they do not have to pay any extras to the tax collectors and they are sure that the money actually goes to the *hsien* treasury for right purposes.

When Mr. Liu, himself a graduate in commerce and accounting, knowing how to keep records and accounts, decides to use the new methods in the collection of taxes he officially dismissed the one thousand and odd officials of the *hsien*—real oppressors of the people. In place of them, he set an examination for the choice of sixty persons capable of doing the work under the new plan. He gave a chance to the old officials to take the examination, but most of them, realizing their incompetence, failed to appear. With this group of sixty collectors, Mr. Liu has been able to do the work formerly done by one thousand or more people. The increased efficiency in tax collection has brought in more revenue to both the *hsien* and provincial governments. When the tax adjustment commissioner from the provincial government advocated a tax of 45 cents a mow, the magistrate, realizing the drought and poverty in his *hsien*, successfully urged him to reduce this amount to 30 cents a mow for lands protected by dykes, and 20 cents a mow for lands outside of the dykes. Such a courageous but necessary piece of reform has been endorsed by the provincial government. The Chairman of the Anhui provincial commission, during a recent visit to Hohsien, openly stated to a group of officials and prominent citizens that what the new magistrate had done was just following out instructions that had been given him on his visit to Anking when he was appointed to his office.

In the administration of justice and the elimination of local evils, Mr. Liu's work is equally commendable. As has been reported, Mr. Liu has got rid of the old and corrupt gang of judicial policemen and officers who did nothing but oppress the people. He has now the service of a group of well-selected judicial policemen who, being regularly paid, are required to live inside the magistrate's office. When they are on duty, they are rquired to wear proper uniforms. In getting rid of the injustices done by the policemen to the people, Mr. Liu did not hesitate to punish them. One story illustrates his boldness and wisdom. Shortly after he assumed office, the head of a police station out in a distant town telegraphed to the magistrate that the peasants had risen in a mob riot and destroyed the office of his station and disarmed the policemen. The police officer accused the people of being communists and asked the magistrate to send troops to disperse them. Instead of sending troops as requested, he went down to the spot himsilf and found that the accusations were false. The trouble had been started by the policemen themselves who had wrongly treated some of the people. When peasants gathered in front of the office, the officer ordered the policemen to destroy the furniture as a pretext charging against the people. When he learned the truth, Mr. Liu dismissed the head of the station and arrested him and several of his policemen for trial and punishment. The people were satisfied and gladly dispersed. The story of another of his bold act deserves mention. Besides the local guard assigned to preserve the order in the *hsien*, there is usually stationed in each *hsien* a small detachment of troops assisting in defence work. The detachment of 100 soldiers stationed in Hohsien did not, however, perform their duty properly. They were involved in gambling and opium-smoking businesses. The magistrate warned them that they must also obey the law of the government and be punished for any offense. Instead of listening to his admonition, the soldiers came in conflict with the local guards and indirectly with the magistrate. With the assistance of another detachment of provincial troops, Mr. Liu succeeded in disarming the Hohsien troops and sending them away. His prestige had consequently been firmly established and his orders are obeyed.

On the reconstruction side, Mr. Liu has given a great deal of attention to afforestation, agricultural reforms, fishery, small industry and road-building. Instead of trying to develop extensive forests, owned by the public in general, or by some trick to pass into the hands of some politician, he has been working a system of wood-lots. He has given as many families

as possible the opportunity to raise trees, chiefly for fire-wood badly needed in Hohsien. He also strictly required the police to protect these trees which formerly were freely cut down at any time by racketeers. Professor Bailie states the afforestation scheme of the magistrate as follows: "According to the new plan, certain mountain lands will be set apart for planting, and notification of their localities will be posted. Families can apply for five mow of wood-lot land in the area nearest to their homes. In order to reduce the clerical work of the division of waste lands into wood-lots, the families are asked to farm themselves into groups of ten each and eacn to apply through a representative for 50 mow. Ten of these will be given a section of 500 mow, around which there will be left a fire-lane 100 feet wide, and the groups in each section will be responsible for keeping that lane fire-proof."

In rural reforms, Hohsien was especially benefited by the work done at Wukiang by the Collegs of Agriculture of University of Nanking. Wukiang is situated to the southeast of Hohsien city and is noted for its cotton production. The University began its reform work at Wukiang by introducing good cotton seeds. Through demonstration and patient explanation, the peasants were finally convinced that they should adopt the superior seeds and change their methods of planting. Consequently, the peasants increased the quantity of their cotton production which has proved to be of superior quality selling at high prices. Successes in cotton extension led the University to organize the farmers into an agricultural association with which it can introduce other reforms. A large seed farm was established in Wukiang and the census of the locality was taken. The University also organized a clinic in the center of the town to serve the numerous peasants. A day school was established to teach the children farming knowledge. The town as a whole found itself prosperous after ten years of service rendered by the University to the ignorant farmers in Wukiang. The new magistrate of Hohsien, immediately following his assumption of office, practically converted Wukiang into an experimental district, leaving the University people with autonomous powers to develop the town and its surrounding villages. He also tried to introduce similar reforms in other districts under his jurisdiction.

In road construction, the new magistrate is not less enthusiastic. Already the road connecting the river bank of the Yangtze with the *hsien* city has been broadened and well-paved, partly with the money contributed by a private citizen, a thoughtful merchant. About 40 li north of the *hsien* city is a place called Siang Chuan where the magistrate has established nurseries. The road connecting the *hsien* city with Siang Chuan as well as that with Wukiang were both broadened and paved; so that the only automobile (a poor second hand car I understand) can take the magistrate and his colleague rapidly around the confines of his *hsien*—an essential thing for the preservation of order and effective administration of government orders. In utilizing the leisure time of the farmers in late autumn and winter, the magistrate has asked the people to build more roads extending to all sections of the *hsien* district. As Mr. Liu is so honest in administration and earnest in working for the welfare of the people, he has won the heart of the people who are willing to do their part voluntarily in the reconstruction of the *hsien*. The correspondent of the *North China Daily News*, writing on October 14, reported: "The orderliness and goodwill of the people was proof that there was no rancour lurking within because their labor was conscripted. There was something of a scramble for evenyone to get into a place where he or she would be in the picture. A bouncing beauty with her spade in her hand, finding that she was hid behind a crowd, scrambled up the mound and planted herself right between and in front of Mr. Liu and me. She had the real spirit of the crowd. They all seemed to have the excitement of their life-time."

The development of small-scale industry would do great good to the farming population in securing for them increased employment and income. At present, outside of bamboo work, carpentry, and rope making, very little has been produced in Hohsien. It means that the people have to buy most of the manufactured goods from other places, thus increasing the cost of their living. Mr. Liu found that there was a soap factory inside his *hsien*. He made an inspection of the factory and found that its products could not compete with the soap from other districts, because his raw materials cost him four dollars more per picul than the materials bought by other districts. After a bit of investigation and research, Mr. Liu found that candleberry fat is good for soap making and that candleberry trees can easily be raised in Hohsien. He immediately tried to realize his vision by utilizing the waste-land for the planting of candleberry trees. As a matter of fact, the factory owner has already begun to use candleberry fat for making his soap at a much lower cost. The prospects for this industry are therefore bright. With this spirit, Mr. Liu will encourage the development of other small-scale industries as well.

In the fishing industry, Mr. Liu has helped the poor fishermen to increase their income by driving away the gang of fish racketeers who, for ages, have compelled the fishers to sell to them all the fish caught along that section of Yangtze in Hohsien (similar situations prevail in other *hsien*) at half of the market prices. On the positive side, Mr. Liu is trying to improve the equipment of the fishers, so that they may catch fish of larger quantity. He has asked the rich people of the locality to contribute capital toward the building up of a modern fishing industry. Anyhow, he will have the fishermen themselves well organized, so that some sort of co-operative buying and selling can be worked out.

Conclusion - A description of Mr. Liu's work during the year 1934 in Hohsien must convince the readers that such a personality and his work are needed every where in China. Fortunately, there are other conscious officials making similar attempts at other places. We congratulate Mr. Liu on his own unfailing spirit. We congratulate him on having won the confidence of the provincial government and the respect and loyalty of his people. However, we realize that Mr. Liu is greatly handicapped because of his shortage of fund and in working personnel. One may imagine how much more Mr. Liu could do for Hohsien should he possess the

necessary means for reconstruction. However, Mr. Liu should not tax his physical strength beyond what providence permits in working for the good of the mass. We propose that after a year of rough work in reorganization Mr. Liu should map out a practical program of reconstruction for Hohsien. He should himself stand at the top to watch the execution of the plans; while a few strong men must be obtained for carrying out the plans and their administrative details. Finally, we hope that Mr. Liu will realize that his work cannot be finished in a short time, and so will not get discouraged and be attracted to other positions.

2 3 4 3 9 0 4

0805

RECEIVED
UNIVERSITIES
MAR [illegible] 1935

0806