

# Lecture: Contemporary Economic History of Japan

No. 7

## 1-5 Capital Export and Colonial Rule

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Haruhito Takeda

# 1-5 Capital Export and Colonial Rule



**Prime Minister Terauchi**  
(from Wikipedia)

- Incursion into China gaining momentum during WWI period  
From the twenty-one demands to Chinese government to “Nishihara Loan”

To secure Japan’s interests by economic concessions and a foundation of the pro-Japan regime.



**Nishihara Kamezo**  
(Source)National Diet Library



**Duan Qizhui**  
(from Wikipedia)

# 1-5-1 Outline of Nishihara Loan

| Loan Name                    | Contract Date | Amount<br>Thousand Yen | Creditor   | Interest Rate<br>%            | Period                    | Collateral   | Source of Fund   |
|------------------------------|---------------|------------------------|--|-------------------------------|---------------------------|--|--|
| Participation in War         | 9/28/18       | 20,000                 | 3 banks of Kangyo, Taiwan, Korea                       | 7.0 (+ 1% as handling charge) | 1 Year                    | Exchequer bond   | Temporary national treasury certificate-income in special account        |
| First Traffic Bank           | 1/20/17       | 5,000                  | 3 banks of Kangyo, Taiwan, Korea                       | 7.5                           | 3 Years                   | Exchequer bond and other   | 3 banks of Kangyo, Taiwan, Korea   |
| Second Traffic Bank          | 9/28/17       | 20,000                 | 3 banks of Kangyo, Taiwan, Korea                       | 7.5                           | 3 Years                   | Exchequer bond   | Deposit Bureau   |
| Wire Telegraphy              | 4/30/18       | 20,000                 | 3 banks of Kangyo, Taiwan, Korea via China Kaigyo Bank | 8.0                           | 5 Years                   | Whole country's wire telegraphy assets and its income                  | Kangyo Bank debenture Backed by Government and taken Up by Deosit Bureau |
| Advance for Kikkai Railroad  | 6/18/18       | 10,000                 | 3 banks of Kangyo, Taiwan, Korea                       | 7.5                           | Changeover every 6 months | Redemption from Railroad's public bond subscription                    | Government-backed Kangyo Bank Debenture                                  |
| Advance for Man-Mo Railroad  | 9/28/18       | 20,000                 | 3 banks of Kangyo, Taiwan, Korea                       | 8.0                           | Changeover every 6 months | Redemption from railroad's public bond subscription                    | Government-backed Kangyo Bank debenture                                  |
| Advance for Santo 2 Railroad | 9/28/18       | 20,000                 | 3 banks of Kangyo, Taiwan, Korea                       | 8.0                           | Changeover every 6 months | Redemption from railroad's public bond subscription                    | Government-backed Kangyo Bank debenture                                  |
| Hei-Jilin Mine               | 8/2/18        | 30,000                 | 3 banks via China Kaigyo Bank                          | 7.5                           | 10 Years                  | Gold mines & forests in Heilongjiang & jilin Provinces, & their Income | Government-backed Kangyo Bank debenture                                  |

**Nominal political loan named an economic loan based on the premise of cooperation with advanced countries.**

Haruhito Takeda

(Source) Haruhito Takeda *Imperialism and Democracy* p.141



## 1-5-2 Program of Increase in Rice Produced in Korean

- Having absorbed in 1910, Japan proceeded with the colonization of Korea. The first step was an undertaking of the landownership investigation with the objective to ascertain proprietary right of land.
- It was initiated with the aim to strengthen the foundation of colonial finance like the land-tax reform in the homeland, but in its process a lot of land with unclear cultivating ties came to be deprived by the viceroy office.
- The cultivated acreage incorporated into the national land ran up to one twentieth of the total farm land in Korean, most of which was disposed of to the Japanese nationals at low prices, giving birth to grand-scale Japanese landowners. Populace who lost their land either became tenant farmers, or drained out to Japan and the Chinese continent.

- The spread of repressive colonialism to impair the ethnic autonomy came to meet a fierce resistance by the evolution of independence movements after WWI. The grass-roots movement on March 1, 1919 that rose in revolt declaring the independence necessitated a reconsideration of the framework of prior colonial rule.



112 三・一独立運動 運動の起点となったバゴタ公園に並ぶレリーフ群の一つ。日本の軍警察による苛酷な弾圧が描かれている。



# Population Drain from Korea

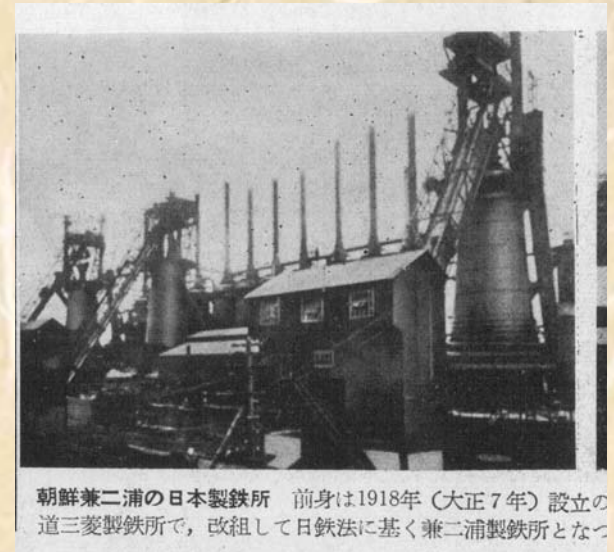
Unit: Person

|      | To Japan | To China |
|------|----------|----------|
| 1914 | 4,179    | 10,631   |
| 1915 | 5,046    | 13,281   |
| 1916 | 7,225    | 13,501   |
| 1917 | 17,463   | 18,911   |
| 1918 | 27,640   | 36,627   |
| 1919 | 35,975   | 44,344   |
| 1920 | 40,759   | 22,210   |



(Source) Japanese Modern History Study Group,  
*Modern centurial news in pictures*

- Governor Santo's ruling policy, reputed in history as the transformation to a “civilized reign”, meant, on one hand, to “deny the existence as the ethnic group” of which “assimilationism” was characterized as the pillar, and on the other, efforts intended to reconcile frustrations over the Japanese domination by improving common people’s living by the agricultural promotion policy



(Source) Japanese Modern History Study Group,  
*Modern centurial news in pictures*



- “Program of increase in the rice produced” was deployed upon conformation of two factors: One, the home country’s situation of volatility and deficiency in the domestic supply of food, which came to be keenly felt by the outbreak of the rice riot; Another, the intention of the colonial government (viceroy office) to promote the local agriculture for the sake of stabilization of the people’s livelihood. Development of such policies showed a further compelling significance in view of the fact that in the 1920s an increase in food imports constituted one of causes of the unfavorable international trade balance.



- But the promotion of the program of increase in the rice produced required a switch-over to an export-oriented agriculture to produce breeds of rice suited to the Japanese market. This imposition of the breed changeover and export orientation eventuated a deficiency in food supply in the Korean region, namely a “hunger export”. For in Japan, coming into the 1920s, whence the subject program got on track and the rice export (shipment) to Japan started increasing, the price of rice turned stagnant, contrary to the initial expectations.

- The same type of approach was conducted in Taiwan where sugar manufacturing was leading industries. But since an increase in rice cropping had an aspect of competing with that of corn, raw material for sugar, the scheme created a problem called “the sugar- rice conflict”.



(Source) Japanese Modern History Study Group,  
*Modern centurial news in pictures*

Haruhito Takeda



- In hindsight, the deployment of the program to increase rice production fulfilled the role to build the colonies onto a part of Japanese economy, and to establish them as the bases for supplying food to Japan. Furthermore, by making the food supply bases which created hunger exports, topped with a pursuit of supply of substitution foods including foxtail millet and kaoliang from Manchuria, Japan formulated own economic zone in East Asia.

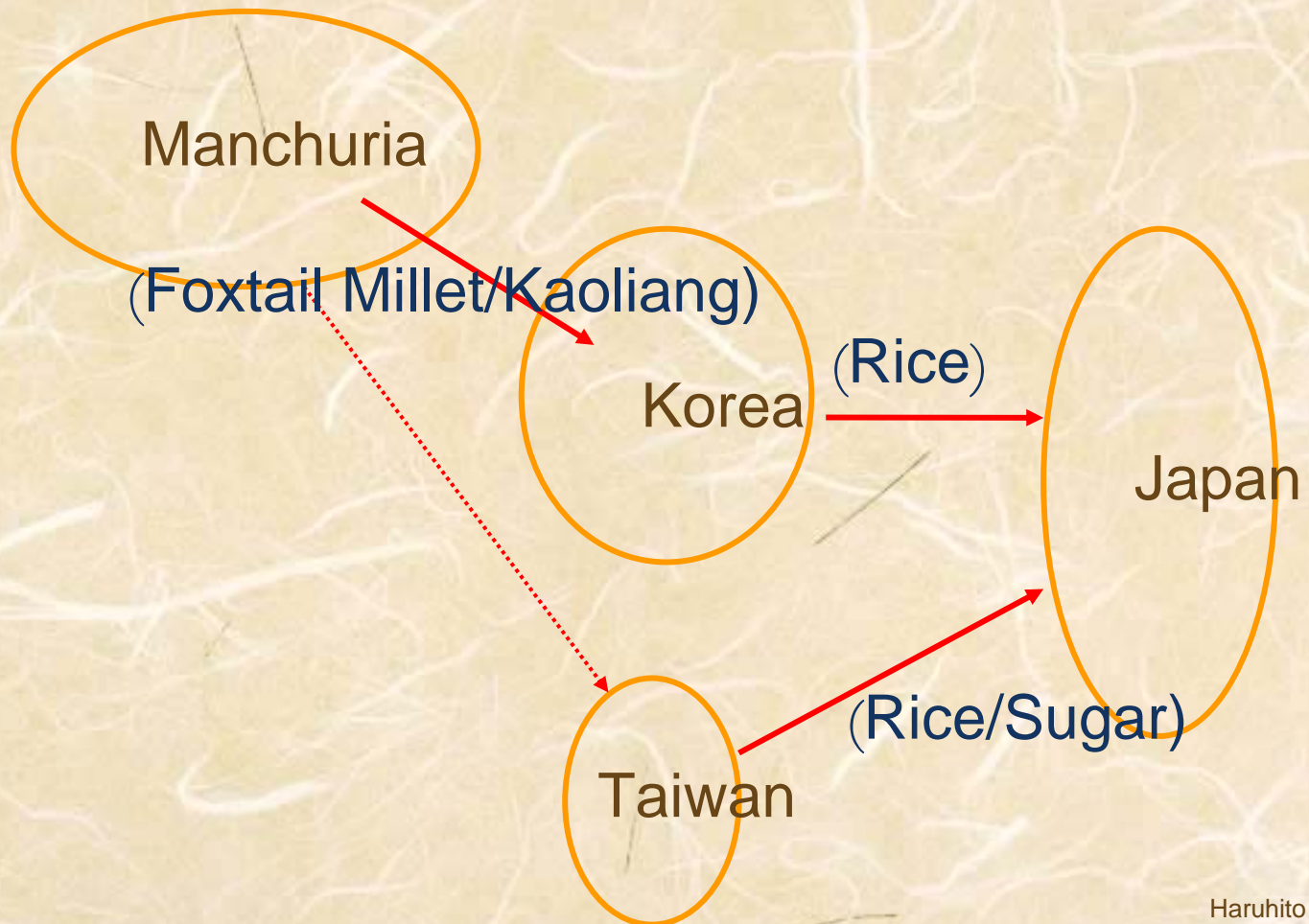
# Supply of Rice to Japanese Market

Unit: Thousand "Koku", %

|         | Output Volume | Import Vol. | Ingression Vol. |        |        | Import/Ingression | Total Supply Vol. |
|---------|---------------|-------------|-----------------|--------|--------|-------------------|-------------------|
|         |               |             | Korea           | Taiwan | Total  | Total             |                   |
| 1909-13 | 50,588        | 1,893       | 205             | 849    | 1,054  | 2,947             | 53,535            |
|         | 94.5          | 3.5         | 0.4             | 1.6    | 2.0    | 5.5               | 100.0             |
| 1914-18 | 55,242        | 1,492       | 1,431           | 847    | 2,278  | 3,770             | 59,012            |
|         | 93.6          | 2.5         | 2.4             | 1.4    | 3.9    | 6.4               | 100.0             |
| 1919-23 | 58,920        | 2,481       | 2,790           | 966    | 3,756  | 6,237             | 65,157            |
|         | 90.4          | 3.8         | 4.3             | 1.5    | 5.8    | 9.6               | 100.0             |
| 1924-28 | 58,003        | 3,297       | 5,432           | 2,287  | 7,719  | 11,016            | 69,019            |
|         | 84.0          | 4.8         | 7.9             | 3.3    | 11.2   | 16.0              | 100.0             |
| 1929-33 | 60,468        | 1,068       | 6,653           | 3,027  | 9,680  | 10,748            | 71,216            |
|         | 84.9          | 1.5         | 9.3             | 4.3    | 13.6   | 15.1              | 100.0             |
| 1934-38 | 62,757        | 216         | 8,649           | 4,857  | 13,506 | 13,722            | 76,479            |
|         | 82.1          | 0.3         | 11.3            | 6.4    | 17.7   | 17.9              | 100.0             |



# Food Supply Centered on Japan



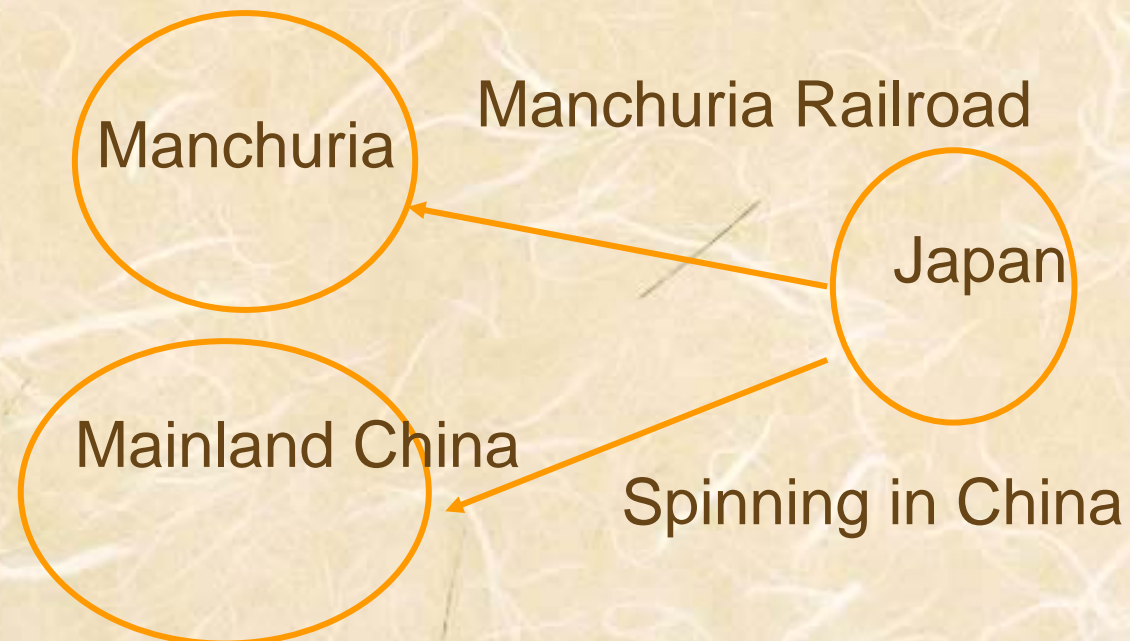
# Trend of Investment in Colonies

|  | Taiwan |      | Korea |      | Manchuria |      |
|--|--------|------|-------|------|-----------|------|
|  | 1920   | 1931 | 1920  | 1931 | 1920      | 1931 |
| Agriculture, Forestry and Fisheries Industry | 2.2    | 6.4  | 5.7   | 7.2  | 0.2       | 1.4  |
| Industrials                                  | 4.9    | 5.6  | 3.8   | 2.4  | 0.4       | 0.5  |
| Manufacturing industry                       | 66.0   | 64.7 | 9.6   | 38.1 | 8.7       | 13.7 |
| Commerce                                     | 25.8   | 20.8 | 15.8  | 6.2  | 9.4       | 4.0  |
| Finance Industry                             | 0.0    | 0.0  | 45.0  | 21.5 | 11.4      | 4.6  |
| Gas/Electricity, etc.                        | 1.1    | 2.8  | 20.2  | 24.7 | 70.0      | 75.9 |
| Aggregate Amount (Million Yen)               | 309    | 293  | 179   | 321  | 458       | 665  |



## 1-5-3 Manchurian Railroad and In-China Spinning

- The economic penetration into China was led by on the two pillars: the state-led capital exports focusing on Southern Manchurian Railroad, statutory institution, and “in-China spinning” deployed by the cotton spinning capital.



- According to Riemer's stochastic, Japan's investment amount in China increased dramatically in the 1910s-1920s, and mounted to the level comparable to U.K. in 1931.
- Among that was the investment in Southern Manchurian Railroad accounting for a third to a quarter of the total. In the 1920s, aided by the favorable business results of its railway business, Manchurian Railroad absorbed surplus funds by such means as issuing the corporate bond in the domestic capital markets, and gained its business expansion fund. Granted it was state-led, the capital investment in Manchuria in this period was purveyed by private fund via capital markets.



# In China spinning

- Investment to China in the cotton spinning industry showed a large-scale development focusing around Shanghai region by building plants there. The greatest motive for the penetration was that the domestic spinning corporations had lost export competitiveness due to the wage standard that had gone up during the war.
- In these times, powerful spinning companies, having carried over vast amounts of high profit generated during the war, deposited their surplus capital in banks, made settlements of raw cotton materials in cash, and were diversifying into raw silk industry and rayon silk industry. But in their main business of spinning, they were trying to secure losing overseas markets by the development of the “in-China spinning”.

## Background of In-China Spinning

- ①Climb of labour cost
- ②China started considering tariff hikes, and a realizable possibility enhanced with backing of U.K., etc. and,
- ③Domestically, prospects were that the ban on night work would be finalized, and the competitiveness in domestic productions would decline even further.

These were causes. Thus, facilities in the spinning companies in China managed by the Japanese expanded quickly, and additionally aided by their machinery and equipment being more capable than those of the Chinese ethno-entities in spinning, the Japanese corporations' superiority got elevated in the Chinese market.

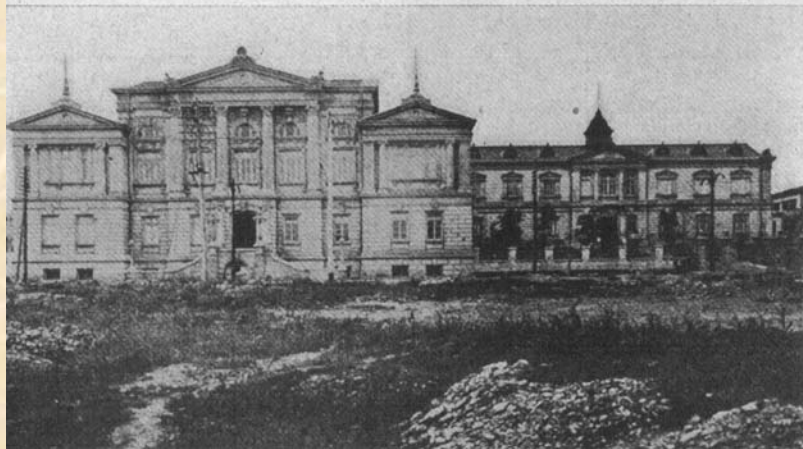
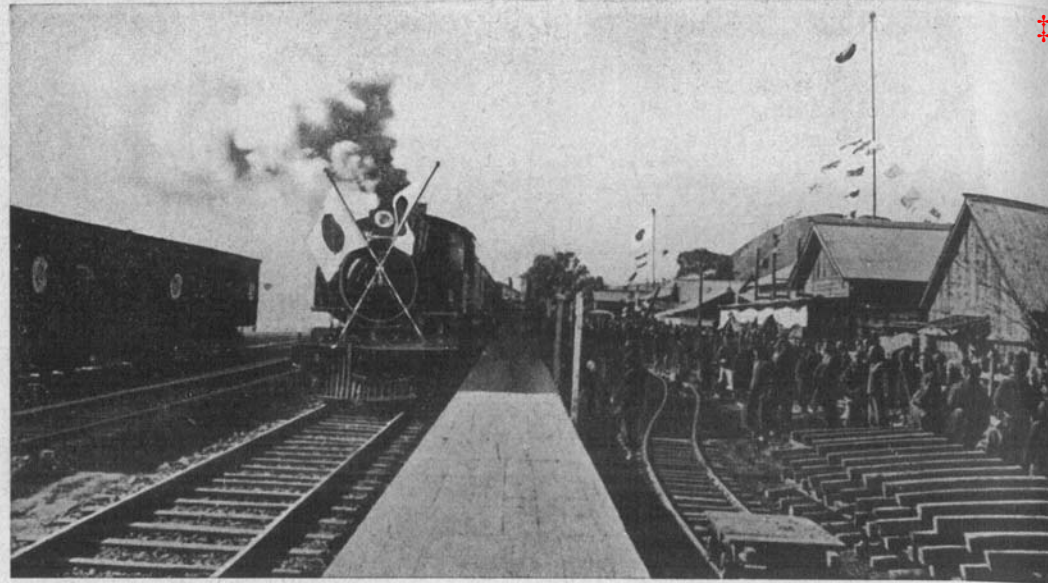


# Capital Export on Its Own and Backlash

- In this way, capital exports to China strengthened the character of “on its own”, changed from that of a “sublease” before WWI, and Japan brought in the colonies and semicolonies to own economic infrastructure.
- But then, this sort of development faced a lot of constraint in various aspects, and heightened an international tension that included provoking backlash of local common people.
- Meanwhile, the management of Manchurian Railroad, as it grew larger, was placed in a position to inevitably run such nonprofit activities as building hospitals and installing schools due to its virtual and public role in the Guandong leased territory. And those efforts weighed that much on the management of the railroad.
- Development of independence movement in China, for one, was called “Manchurian Railroad encirclement”, which was the construction of the “parallel line” (competitive line running parallel to Manchurian Railroad), and for another, was linked with revolts against Japan-made goods as seen in the breach movements against Japan and in the 5/30 Incident. Which came to constrain activities of corporation managed by the Japanese.

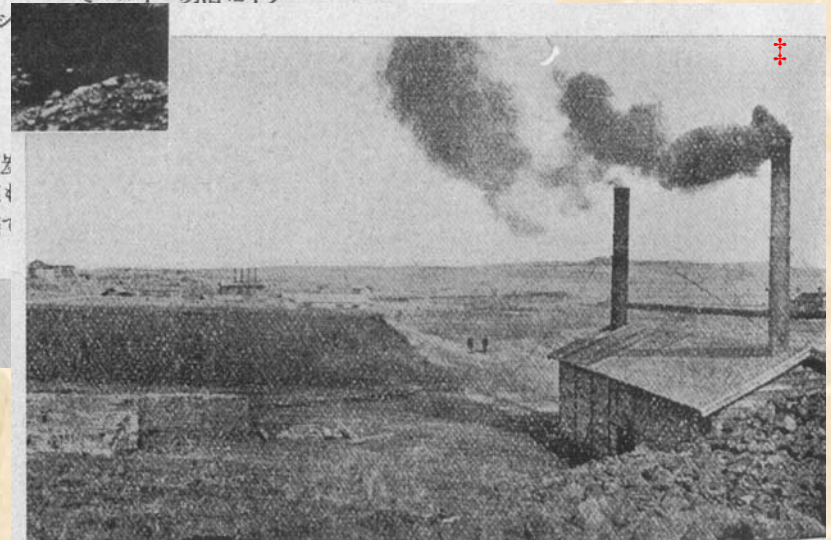
広軌安奉線開通式当日の中間駅

戦争中南満州の鉄道は、占領するに従ってロシア式の5呎の軌幅を日本式の3呎6吋の狭軌に改修された。同時に安東と奉天を結ぶ2呎6吋の軽便鉄道の安奉線が臨時鉄道大隊の手で急設された。満鉄は1908年6月までに本線全線を4呎8吋半のスタンダードゲージに改築し、安奉線の広軌改築は、清国との折衝を終えた。1909年に着工、1911年に完成した。



南満州鐵道株式会社本社  
(1907年・明治42年)

撫順  
事業  
6條



(Source) Japanese Modern History Study Group,  
*Modern centurial news in pictures*



- Furthermore, civil wars within China that expanded intertwined with independence movements generated volatility of China as a market. Because of the military currency overissued by the military clique, inflation grew worse and shook up the foundation of the market economy.
- Another important point was that, with an added influence of the disorder of “Nishihara Loan” conducted by Japan during WWI, various means for the collection thereof had problems such as provoking confrontations with independence movements.
- **Japan intensified military interventions, which repelled the Chinese side, thus escalating struggles against Japan.**

## Colonial Rule and Japan

- While the economic penetration was deployed in pairs with the military invasion, the Japanese colonies were restructured as food provisions' bases, which fulfilled their role to save foreign currencies.
- But the nationalistic resistance intensified against the penetration/invasion by Japan, and the Japanese reign was not necessarily solid. For that reason, to stabilize such rulings financially, there were needs to spend a great amount of military expenditures and colonial expenses.