CHAPTER VII

CUTTING THE CHINESE MELON

1. CONSEQUENCES OF WAR OF 1894–1895

The Sino-Japanese War marked a reversal in the relative positions of China and Japan in the Far East. Before the war the Western nations had respected the potential if not the actual power of China, and had patronized Japan. After 1895 but scant respect was paid to the Chinese Empire, which had shown itself not only weak in a military sense, but lacking in that national consciousness which rallies a people behind its government in the face of the foreign foe. One effect of the spirit of localism, made glaringly apparent during the course of the war, was the lack of ability, or even desire, to concentrate the entire strength of the nation against the Japanese. Further than this, the lack of integrity of many of the high officials, as well as their inefficiency in the face of modern conditions, was completely revealed. The stock of Japan, on the other hand, took a sudden rise. Her army and navy received nothing but the highest praise from foreign critics, and it was conceded that they made Japan a factor which could not be disregarded in the future politics of the Far East. The war marked the reception of Japan as an adult member of the society of nations. No longer could the West dictate the terms of its intercourse with her. Even if the treaties with Japan had not been modified prior to the outbreak of hostilities, they would have had to be revised in her favor after the signature of the treaty of Shimonoseki.

Nevertheless the war, successful though it was from the Japanese standpoint, did not leave Japan a primary force in the Far East. The Great Powers were led to respect her but not to concede her a determining voice in continental politics. She was taught her place for the time being by the Three-Powers intervention in favor of China.

2. RUSSIA MOVES SOUTH

The period from 1895 to 1902 was one of Russian domination. China had a wholesome respect for the power of her great neighbor—a respect which had been not a little tinged with fear as Russia had pressed in from the west and down from the north. But any conception that Chinese officials may have had of Russia as the state to be dreaded was changed for a few years after the war with Japan. Russia had taken the lead in averting
the danger and humiliation that would have come from the establishment of Japan in Manchuria and close to Peking, and she further intimated that she would stand between China and future encroachments on the part of the Japanese. Consequently Russian influence became predominant at Peking. This influence was strengthened by the support given Russian policy by the French minister. Incidentally France herself benefited materially by the alliance with Russia, since it gave her diplomats a standing at the Tsungli Yamen which otherwise they would not have had. Germany, the third party in the intervention, had a claim on the gratitude of the Chinese government, and, by working partly with Russia and in part with British financiers, she was able in due course to reap the reward for her action.

With the enhancement of Russian influence at Peking, however, that of Great Britain declined. Almost single-handed England had opened China to foreign intercourse. From 1860 until 1895 the British minister had taken the lead in all movements designed to make that intercourse more satisfactory and profitable to the states of the West.\(^1\) England was still the greatest trading Power in 1895 and for some time thereafter, and yet her political influence during the critical period from 1895 to 1901 was less than it had ever been. This was partly due to her preoccupation in other parts of the world, but it was also due to her inability to obtain support from any other legation and to the negative character of her policy. France and Russia were working together to promote their interests, and China’s most prominent statesman had swung over to the Russian side. Germany was desirous of strengthening her position, which could best be done by utilizing first Russia and then England, but not by taking a permanent stand with the latter. And the United States was too preoccupied with Cuban developments and too little interested in the Far East. In 1895 to develop a positive plan of action.

Shortly after the signature of the treaty of Shimonoseki Russia moved to strengthen her new position as the protector of China. Partly from considerations of internal politics and partly because of its friendly relations with Russia, the Manchu government sent Li Hung-chang to St. Petersburg to represent China at the ceremonies of May, 1896, attendant upon the coronation of the Czar. Count Witte, the eminent Russian statesman, urged upon the Chinese plenipotentiary, during his stay in the Russian capital, the negotiation of a treaty of alliance.\(^2\) He pointed out that the danger to China had been averted only for the time, that Russia was desirous of giving China effective aid in case her territory should again be menaced, and that it was advisable for China to give Russia the right and the means to aid her effectively in time of need. His argument convinced

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\(^1\) Except during the period of service at the legation of the United States of Mr. Burlingame, when the leadership passed for a time to the Americana.

\(^2\) See Memoirs, ch. IV, for detailed account.
Li Hung-chang so completely that before he left St. Petersburg a secret treaty of alliance was initialled. The alliance was directed specifically against Japan, the High Contracting Parties agreeing to support each other reciprocally, making war and peace in common, in the event of Japanese aggression in eastern Asia, whether against Russian or Chinese territory. In time of war China agreed to allow Russia freely to use her harbors and other facilities. This guarantee of protection for China against a possible Japanese attack was given by Russia in return for the right to project the Trans-Siberian Railroad across northern Manchuria directly to Vladivostok.

Pursuant to the terms of a supplementary convention, Russia chartered a private corporation known as the Russo-Chinese Bank, to which China entrusted the financing of the Manchurian section (called "the Chinese Eastern Railway") of the Trans-Siberian. This bank became the chief instrument for the Russian penetration of Manchuria. As described in its charter, it was to be an agency for "the collection of duties in the Empire of China, and the transactions relating to the State treasury of the respective place, the coinage, with the authorization of the Chinese government, of the country's money, the payment of interest on loans, concluded by the Chinese Government, the acquisition of concessions for the construction of railways within the boundaries of China, and the establishment of telegraph lines." Thus although organized and controlled under Russian law, the Russo-Chinese Bank was to serve as the fiscal agent of the Chinese government in addition to undertaking the work of financing railroads and other projects in Manchuria. The first railroad concession falling to its lot was one for the construction of the Chinese Eastern. For this purpose it organized a construction company which had the right to construct and operate the road and to control properties, such as quarries, necessary to its construction. In addition, the company had administrative rights in the railway zone. The concession was to run for eighty years from the time of the completion of the road, when it was to revert to China without payment. China reserved to herself, however, the right to redeem the road at the end of a period of thirty-six years, "but the terms of the redemption were so burdensome that it was highly improbable that the Chinese government would ever attempt to effect the redemption. It was calculated that should the Chinese government wish to redeem the road at the beginning of the 37th year, it would have to pay the corporation, according to the terms of the concession, a sum not less than 700 million rubles." 

The terms of this concession were extremely favorable to Russia, but the right to build the Siberian railroad to Vladivostok across northern

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8 It has also been charged that Li Hung-chang's venality explained his action in entering into the agreement.
8 Witte, Memoirs. p. 95.
Manchuria would have been advantageous under almost any conditions. It not only gave a direct route, cutting off the wide detour which would have been necessary had the road been completed entirely in Russian territory, but it also introduced Russian economic influence into northern Manchuria. The entire railroad project seems to have been economic in its origin—part of Count Witte’s statesmanlike plans for the industrial development of Russia. The Siberian railroad justified his expectations from the outset. Peasants began to settle the country on either side as the road was constructed section by section, and trade developed with the settlement of the territory. That Manchuria might be similarly developed under Russian direction and to her economic advantage, was far from improbable. And Russia would gain as much from the development as if it had come in her own territory. Of course, in addition to the economic motive back of the Trans-Siberian Railroad there was the strategical. The railroad would serve to unify the Russian territories more effectively than was possible in any other way. But, so far as Manchuria was concerned, Alexander III, the initiator of the project, and Count Witte, had in mind an economic penetration rather than a territorial gain for the Russian Empire.

3. THE GERMAN ADVANCE

The so-called “battle of the concessions,” however, was initially inaugurated by France in 1895, but it was vigorously taken up and carried on by Germany and Russia. Germany had determined to insist on adequate recognition by China of her aid in securing the retrocession of the Liaotung peninsula. In the spring of 1897 she intimated to the other Powers her desire to secure a coaling and naval station on the coast of China, and began to make surveys with a view to fixing upon a suitable port. However, before acting, it was necessary to find a suitable pretext. This was afforded by the murder of two German priests in Shantung province. Within a period of two weeks after the murder the German government had served demands on the Tsungli Yamen, including: 1) a ninety-nine year lease of Tsingtao and an area comprehending the entire bay of Kiaochow; 2) the sole right of railway construction and the exploitation of the coal mines of Shantung province; and 3) the payment of an indemnity and the expenses of the naval expedition which had occupied Tsingtao prior to the serving of the demands.

These demands were substantially accepted by the Chinese government and embodied in the agreement of March 6, 1898. The area surrounding Kiaochow Bay was leased, provisionally, for a period of ninety-nine years.

* Art. 10 of the Chinese Eastern agreement provided that goods imported into or exported from China or Russia overland via the railway should pay according to the treaty tariff, with a deduction of one-third from the tariff rates. It was expected that this would stimulate trade.
to Germany. The Emperor of China, while retaining title to the territory, agreed not to exercise his sovereign rights therein for the period of the lease. Germany, on her side, reserved the right to restore the territory to China at any time and to secure, as compensation, a station at some other point on the coast. The territory was never to be sublet to any other Power. Instead of exclusive railroad and mining rights in the province, specific concessions for the building of roads and the opening and operation of mines were given to Germany.⁷

4. THE "BATTLE OF THE CONCESSIONS"

The granting of these demands meant a serious disturbance of the balance of power in the Far East in favor of one state. Consequently all the others moved immediately to secure their separate interests. Russia occupied Port Arthur and demanded a lease of the tip of the Liaotung promontory (the Kwantung area), including Port Arthur and Talienwan, for a period of twenty-five years; an extension of the concessions of the Russo-Chinese Bank to include a projection southward to Port Arthur of the Chinese Eastern Railroad; and mining rights in southern Manchuria.

This led England to request the lease of Weihaiwei for the period of the Russian occupation of Port Arthur. She also demanded from China: 1) a declaration that she would not alienate to any Power the provinces bordering on the Yangtse River; 2) a promise that an English subject should hold the post of Inspector-General of the Maritime Customs so long as British trade supremacy was maintained in China; and 3) an extension of the lease of the territory on the mainland opposite Hongkong.

France had already, in 1895, secured a statement from China that she would not alienate to any other Power the island of Hainan. She had also gained a concession in the matter of customs charges on goods entering China from the French dependencies in the south; ⁸ a priority in the exploitation of the mines of Yunnan, Kwangsi, and Kwangtung provinces; and permission to extend the Annam railway into Chinese territory. In 1897-1898 she further advanced her interests (1) by securing a non-alienation agreement covering the provinces bordering on Tongking; (2) by demanding and receiving definite concessions for the building of railroads in Yunnan province; (3) by the gaining of a lease for ninety-nine years of Kwangchou Bay; and (4) by securing from China a promise that whenever a separate postal service was established the Imperial Government would be "willing to take account of the recommendations of the French Government in respect to the selection of the Staff." Japan, in her turn,

⁷ China agreed, however, to call upon Germany first in case she needed foreign money for the development of Shantung province, and to purchase materials from Germany, provided, in both cases, that Germany's terms were as favorable as could be obtained elsewhere.

⁸ The regular maritime customs charges were to be reduced by four-tenths.
asked for an agreement from China not to alienate to any other Power Fukien province, which lies opposite Formosa. All of these demands were acceded to by the Chinese government, but when Italy requested a lease of Sanmen Bay it screwed up its courage to the sticking point and refused to grant it. This brought the “concession grabbing” to an end for the time being.

5. SPHERES OF INTEREST

So quickly had these developments come and so little resistance had the Imperial Government been able to make, that the end of the Chinese Empire apparently might come at any time. The first step looking toward the partition of such a state as China is likely to be the marking out of the country into spheres of special interest, and these several agreements between the Powers and China resulted in the application of that term to various parts of the Empire. Thus Manchuria was said to be Russia’s sphere of interest, Shantung the sphere of Germany, etc. The term, “sphere of interest,” as applied to China, carried primarily an economic significance.

Its essential element [says Overlach] * is a negative one; namely, the term expresses the principle that no other power except the one in whose favor the “sphere of interest” exists shall be permitted to acquire concessions or to exert any control or influence whatsoever—not to speak about military occupation—at the same time giving the privileged power a monopoly of the right to seek concessions. This privilege, however, does by no means entitle its holder to any positive exercise of influence within the sphere which would change the sphere of interest to a sphere of influence. For the latter term, which has never been used officially, as far as China is concerned, suggests a certain degree of authority or control, either financial or political, exercised by a foreign power within a certain territory.

The great danger to a country such as China is the possibility that, as a result of the development of exclusive interests in one section by any one state, there should be found an excuse for the establishment of a measure of control, either political or financial, thus translating the “sphere of interest” into a “sphere of influence.” After the latter is established, it is likely to be but a short step to the assertion of a “protectorate” by the gradual enlargement of the powers of control. The logical conclusion of the development of the “sphere” conception is, through the gradual introduction of political control, complete absorption of the territory concerned into the empire of the state first asserting therein its priority of economic interest. That this would have been the ultimate fate of China, had not the development of “spheres of interest” been checked at an early stage, cannot be doubted.

The assertion of claims to “spheres of interest” in China was commonly

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*OVERLACH, Foreign Financial Control in China, p. 5.
based on a series of less inclusive concessions, which have just been described. First we have the leasehold on the coast, giving a presumptive claim to the hinterland in the event of the actual partition of China. When a Power secured a leasehold, however, it also secured, as a rule, certain economic concessions in the region, either in the hinterland of a leased area or in a specified region in which no lease had been demanded. These concessions, as has been pointed out, consisted of rights to finance the construction of, and to construct, railroads with materials furnished from the state of the concessionaire, and in some cases to operate the railroad after its completion; and of the right to exploit the mineral wealth of the region. And in the third place, we have the non-alienation agreements regarding various sections. These also were usually joined with economic concessions granted in the provinces which the Chinese government promised not to alienate to any other Power.

All of this was accomplished by agreement between China and the European state concerned in each case. It still remained for the latter to make good its claim to a "sphere of interest" against the other Powers. This produced the fourth type of agreement and the real establishment of a "sphere." The first three did not prevent China from making other agreements, if she could, giving to third parties specific concessions in the area marked off as a "sphere." In fact it was to her interest to do so in order to make clear her title to the territory. Consequently each one of the Powers proceeded to secure from the others the fullest possible recognition of its exclusive interest in the area claimed by it for exploitation.

In pursuance of the Siam Convention of 1896, France and Great Britain had agreed to share any special privileges that either secured in Yunnan and Szechuan provinces. In 1898, however, France asserted her superiority of interest in the provinces bordering on Tongking, including Yunnan, when she secured a non-alienation agreement from China respecting them. She also gained for her nationals then, and by an earlier agreement, the right to construct railways in Yunnan. Great Britain quietly acquiesced in this change in status, seeking compensation in the Yangtse valley. Thus there was a tacit recognition given to the French claim to a "sphere of interest" in Yunnan, Kwangsi, and Kweichow provinces. Kwangtung also fell within the group of provinces which China agreed not to alienate, but owing to the British ownership of Hongkong, and the extension of her interest in eastern Kwangtung by the lease of the Kowloon territory, Kwangtung province may be considered as divided, only the western part of the province falling within the French sphere. Szechuan may also be considered as a field for joint exploitation. Since Great Britain was the only other Power with an interest in southwestern China, with British recognition of the priority of her claim France may be considered to have safeguarded herself from encroachment on her sphere.
The chief international interest lies in the agreement reached between Great Britain, on the one hand, and Russia and Germany, on the other, concerning the Yangtse valley, Shantung, and Manchuria. When Great Britain demanded the lease of Weihaiwei, on the northern coast of Shantung province, she was careful to assure the German government that she had no intention of encroaching on the German preserve in that province so far as the seeking of economic concessions was concerned. In 1898 a further understanding as to railroad concessions in China was reached directly between English and German financiers. This agreement defined the British sphere of interest so as to include roughly all of the provinces drained by the Yangtse River and its tributaries, with certain exceptions giving Shantung railroads the right of connection with the Yangtse lines. Shansi province, subject to a reserved right of connection, also went to the British. The German sphere was defined to include the Yellow River valley, including specifically Shantung province, subject to certain rights of connection. Each agreed not to compete for concessions in the other’s sphere.

Russian-British differences were composed by the Scott-Mouravieff agreement (1899), by which Great Britain agreed not to go north of the Great Wall in search of railroad concessions, while Russia agreed, for her part, to respect the British sphere in the Yangtse valley.

6. ATTITUDE AND INTEREST OF THE UNITED STATES

These agreements would have left China helpless if the Powers making them had observed them in good faith, and if all the Powers had been similarly committed to respect these claims to “spheres of interest.” But the United States had not taken part in the scramble of 1897-1898, although she was just reawakening to the importance of questions of foreign politics. Intermittently the United States had manifested an active interest in the Far East. At the time of the opening of China she was the second trading Power at the port of Canton. Her share in the opening of Japan has already been described. After the American Civil War, however, the active interest of the United States in the outside world, including the Far East, was greatly lessened as attention came to be concentrated on domestic development. But during the years 1865-1898 the American nation went through a transformation, emerging an industrial rather than primarily an agricultural state. By the 'nineties this industrial progress had gone so far that many Americans felt that foreign markets were needed to absorb the excess production of industry, and capital had been accumulated, it was felt by many, beyond the ability of the home field to absorb it. Joined with this purely economic interest in the outside world, there came an added interest in international relations due to the war with Spain. That war left

10 Chapter IV, pp. 88-93.
the United States with the Philippines as a territorial stake in the Far East, making her an Asiatic Power. All of this produced an interest in the question of China beyond that which would normally have been manifested. This interest necessitated a positive reaction to the new situation.

When the "battle of the concessions" began, and during its course, the United States was engaged in the war with Spain and could take no direct action. Taking stock of the situation as it had developed up to 1890 from the American standpoint, it would seem obvious that three alternatives were presented to the government of the United States: it might recognize the advances made by the Powers in China and do nothing, allowing the spheres of interest to ripen in the natural way into protectorates, with the consequent ultimate exclusion of American trade from China; it might enter into the competition and try to stake out a sphere for American exploitation; or it might try to safeguard American commercial interests within the spheres of the Powers. Given the widespread belief in the United States that it would be necessary for American industry and capital to go abroad, the first alternative was impossible of acceptance, since China seemed to offer one of the greatest potential markets and fields for investment in the world. The second alternative was equally unacceptable. The American policy in the Far East had been fixed traditionally as non-exclusive. In none of its dealings with Far Eastern states had the government of the United States sought to secure exclusive privileges for itself or for its nationals. It had always demanded "most-favored-nation" treatment for itself, and had been willing to see any advantages it secured extended equally to all trading powers. It was willing to compete, but the terms of competition had to be equal and non-discriminatory. This had been true of its relations with Latin America as well as in the Far East. Consequently, for the United States to attempt to get a slice of the "Chinese melon" would have been for it to make a violent departure from its past policy. The departure would have been even more marked if adopted in China than if adopted elsewhere, because after 1842 the government of the United States had almost uniformly urged the necessity of maintaining the territorial integrity of China. For a long time it had been fearful lest England should add materially to her colonial territory at the expense of the Celestial Empire and had scrutinized carefully and critically every move the English made in the Far East. Later, when Burlingame was minister, he, and through him the United States, took the lead in establishing a policy of co-operation founded upon a common recognition of the need for strengthening and preserving China as a state.

The third alternative remained, but it had to be given some concrete expression. The general lines to be followed were clear. The broad interest of the United States continued to be the preservation of China from territorial disintegration. But a series of moves had already been made in the
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opposite direction, and it would take more than wordy protests to restore to the Chinese Empire control of the territory lost through the leasehold agreements, and to persuade the European states to relinquish the economic privileges secured at the same time. If there had been the will to act, this might have been accomplished by a union of forces on the part of the trading states, England, Germany, the United States, and possibly Japan. But Germany had played a prominent rôle in the scramble for concessions, and so had England, by the time the American government awakened to the necessity for action. England did semi-officially express the desire for co-operation, but on the basis of joint control by the cooperating Powers of the Chinese army and of the finances of the country. Such a co-operation was not acceptable to the United States, so that Secretary Hay was compelled to formulate a policy independently. This policy was outlined in the famous "Open Door" circular.

7. THE POLICY OF THE "OPEN DOOR"

On September 6, 1899, notes were sent for transmission to the governments of England, France, Italy, Germany, Russia, and Japan, asking each to give "formal assurances and lend its co-operation in securing like assurances from other interested Powers, that each, within its respective sphere of whatever influence: First. Will in no way interfere with any treaty port or any vested interest within any so-called 'sphere of interest' or leased territory it may have in China. Second. That the Chinese treaty tariff of the time being shall apply to all merchandise landed or shipped to all such ports as are within said 'sphere of interest' (unless they be 'free ports'), no matter to what nationality it may belong, and that duties so leviable shall be collected by the Chinese government. Third. That it will levy no higher harbor dues on vessels of another nationality frequenting any port in such 'sphere' than shall be levied on vessels of its own nationality, and no higher railroad charges over lines built, controlled, or operated within its 'sphere' than shall be levied on similar merchandise belonging to its own nationals transported over equal distances." 11 Thus the policy of the United States was to accept the existing status, including the claims of the several states to spheres of interest, and the establishment of the leaseholds, and to secure a definition of the attitude of each within its sphere so as to ensure therein complete equality of commercial opportunity for the citizens of the United States. The "open door" policy was one of commercial self-interest, and as actually formulated and expressed it was not in any direct way founded upon the desire to preserve the independence and the integrity of China. It accepted the sphere of interest conception and might be construed to accept also the logical end of the development of the conception, annexation of Chinese

11 V. H. A. WARD, Digest of International Law, 535. (Taken from note to German government.)
territory, provided American trading rights in the annexed region were fully safeguarded.

The two conceptions,—that of "spheres of interest" and of the "open door" or equality of commercial opportunity,—are, however, fundamentally inconsistent and incompatible. The chief purpose of the establishment of a sphere of interest is to secure, as far as possible, exclusive rights to obtain concessions for the building of railroads, the opening of mines, and the industrial exploitation of the region marked out. Furthermore, as the sphere of interest merges gradually into a sphere of influence, or into a protectorate, the state gaining political control almost invariably uses its control or influence to monopolize the economic development of the area so far as it can with profit to itself. In other words, the "open door" policy, if it is maintained, works a limitation and modification of the sphere conception and ultimately demands its own extension to include the preservation of the independence and the territorial and administrative integrity of such a country as China, in order to preserve equality of commercial opportunity.

Two Powers were primarily interested in safeguarding China as a whole as a market for their goods and as a field for the investment of their capital. The interest of the United States lay in the future, as her actual trade interests in China were not so great in 1899 as to demand strong action for their preservation. On the other hand, British commercial interests were actual rather than potential, immediate rather than lying in the future. These interests were not confined to one part of the Empire, but had been developed in the north and the south as well as in the central part of the country. Consequently Great Britain stood to lose more by a restriction of her trade to one part of the Chinese Empire than she stood to gain by a recognition of the priority of her interest even in such a vast region as that comprised in her sphere. This the British traders in China clearly recognized. The British government, however, let the opportunity for an effective protest against the staking out of "spheres" pass and then tried to protect itself by demanding compensation. The South African trouble, coming to a crisis just when it did, the trouble with France over Egyptian affairs, culminating in Fashoda, and the desire to conciliate the German government, all played a part in weakening the British resistance to the China policy of the several continental European states at this time.

But when the American government took the stand it did, the British,\textsuperscript{18}

\textsuperscript{18} To this should be added the desire to establish a claim to the territory in case of a possible partition of China among the Powers.

\textsuperscript{19} There was an indirect British influence in the formulation of the Hay circular through Mr. Hoppesley, an English subject who was an officer of the Chinese Maritime Customs Service. For an account of the formulation of the doctrine see GATSOLD, The Far Eastern Policy of the United States, ch. 2. His conclusions as to the British influence on American policy, however, seem somewhat exaggerated.
recognizing in the Hay proposals a revival of their own China policy of the years 1860-1885, gladly gave the promises requested, stipulating, however, that their promises be considered to be conditional on similar promises being made by the other Powers. The German government had already indicated its intention of allowing the Chinese tariff to govern the importation of goods into its leasehold, negotiating to that end with the Inspector-General of the Imperial Maritime Customs service. It gave freely the other pledges requested. France, Italy, and Japan also gave full assent to the Hay proposals.

Russia, however, while couching her reply in terms that enabled Secretary Hay to consider it an acceptance, did not give as unequivocal pledges as did the other governments. Preliminary steps had already been taken to incorporate Talienwan into the Russian customs union, and Port Arthur had been closed to the vessels of countries other than China and Russia, and was rapidly being turned into a strongly fortified naval base. Thus, while Russia took steps to make Talienwan a free port so far as its being opened to trade was concerned, she merely promised that if “at some future time that port, although remaining free itself, should be separated by customs limits from other portions of the territory in question, the customs duties would be levied, in the zone subject to the tariff, upon all foreign merchandise without distinction as to nationality.” “Foreign” meant non-Russian, so that the statement cannot be construed as other than an equivocation. Furthermore, nothing was said in the Russian reply as to the Russian attitude or policy with regard to railroad rates and the other matters mentioned in the Hay circular.

The acceptance of the Hay principles by the Powers temporarily checked the movement toward the partition of China at the first stage of its development. The reaction of the Chinese government and people toward this foreign aggression, however, brought the question of the extinction of Chinese national life again to the front. The lesson of the Sino-Japanese War and the years immediately following was, fundamentally, that China must so reorganize herself that she could successfully defend herself against attacks from the outside. The government’s policy in the past had been to rely for the defense of the country upon the lack of harmony of interest among the European Powers. Russia’s aggressive tendencies, for example, would be held in check, it was thought, by Great Britain. One Power could be so played off against another as to safeguard China. This “balance of power” theory, however, broke down in the face of the revelation of China’s weakness, and of the bringing into play of the sphere conception. A Russian alliance, it is true, was accepted to secure China against Japan. But the

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14 This condition was also put by the other Powers on their acceptance of Secretary Hay’s proposals.
15 V, Moore’s Digest, 545.
German demand for a leasehold, and the acquiescence of the other states in the advance she made, changed the situation materially. The Russian alliance did not cover European aggression, and China found no one to give her active support in the face of the German threat. The “balance of power” idea was invoked, certainly, but to the entire disadvantage of China, since each Power demanded compensation for gains made by the others in order that the “balance” should be preserved. Ultimately the action of a foreign state, the United States, did bring some external support to China, but only after the active contestants had stopped to take stock of the situation.

8. THE “HUNDRED DAYS” OF REFORM

These successive shocks, coupled with the gradual infiltration of new ideas, produced a reform party and gave it its brief moment on the metropolitan stage. Almost all of the advocates of reform came from the Yangtse and southern provinces. The individual reformer who came to be best known outside of China was Dr. Sun Yat-sen, a revolutionary Cantonese whose father has been represented to have been a Christian convert, and who was himself a Christian who had been educated along Western lines at foreign institutions in Hawaii and Hongkong. Dr. Sun led a revolutionary attempt against Canton in 1895, which was unsuccessful. As a result of it he had to flee the country with a price on his head. A more important figure in the early reform movement, however, was K’ang Yu-wei, known at the time as the “modern sage.” He also was from Kwangtung province, but he differed from Dr. Sun in that he was not a revolutionary but advocated the gradual establishment of a constitutional monarchy and immediate reform of the existing machinery of government. Among the officials two stood out prominently as interested in reform. These were the Yangtse Viceroy’s, Chang Chih-tung and Liu Kun-yi. The former attracted much attention to the need for reorganization by his book “Learn,” 10 which committed him definitely, for the time, to the cause of reform. Many of the younger officials, both Manchu and Chinese, also sympathized with the advocates of change, at least until they perceived that reform could come only at the expense of the privileges of the official and literate classes.

The reform party, Cantonese in its leadership and principal support, would not have been able to inaugurate its program when it did, however, if it had not been for conditions at the Imperial Court. The Emperor, Kuang Hsü, had attained his majority some years before, and the “Old Buddha” had retired to the Summer Palace. But the change in control was more nominal than real. Most of the important officials looked to her in her retirement for direction, and she did not hesitate to interfere in affairs of state when she felt moved to do so. The most important faction at Court,

10 Translated as China’s Only Hope.
the so-called “northern party,” did not conceal its belief that she should resume the Regency. The other, or southern, party, headed by the Emperor’s Grand Tutor, seemed to its leaders to be losing ground in 1898. For some years this group had been moving away from the Empress-Dowager and toward support of the Emperor. Its Peking leaders were not reformers, but they were gradually forced into support of the reform movement as part of the struggle to maintain themselves in the contest for power at the Court.

The Emperor himself showed leanings toward reform after the war with Japan. He then revealed an interest in Western ideas, institutions, and practices which indicated that he would not be difficult to convert if once brought into direct contact with the leaders of the party of change. This was not accomplished until June, 1898, when K’ang Yu-wei was introduced to the Emperor by his tutor, Weng Tung-ho, who was probably led to take this step because of the death of Prince Kung, his strongest supporter in the clientele of the Empress-Dowager. Prince Kung was a leading Manchu statesman of moderate views, who served for many years as a “balance wheel” at Peking, restraining both the Empress and the Emperor from following extreme counsels.

The Emperor came under the dominance of K’ang Yu-wei immediately and embarked at once on a program of reform under his direction. During the summer of 1898 a number of edicts were issued making changes in the educational and examination systems, establishing a translation bureau, abolishing numerous sinecures, promoting reorganization of the military forces, and undertaking numerous other reforms.

From the first there was serious opposition to the activities of the Emperor. As time went on the opposition became more intense, and finally the Empress-Dowager was moved to intervene. The reformers had feared this possibility, and they now urged the Emperor to safeguard himself and the cause by moving against the old Buddha. Toward the last he was persuaded to act. Yüan Shih-k’ai, former Chinese Resident at Seoul and later President of the Chinese Republic, who was supposed to be sympathetic to reform, was called into the councils of the reformers. He was appointed as Viceroy of Chihli province, and was instructed to proceed to Tientsin, put himself at the head of the troops there, march on the Summer Palace, and seize the Empress-Dowager. Instead, he united forces with the Manchu Viceroy Jung Lu, his “sworn” brother, who was a relative and a devoted supporter of Tzu Hsi. Under her orders he seized the Emperor, who was kept in confinement until his death ten years later. This brought the first attempt at reform to an end. K’ang Yu-wei escaped from Peking and took up his residence in Japan, whence he carried on a campaign for the introduction of constitutional monarchy into China. Many of his followers also escaped, but others were captured and killed. The entire period of reform

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extended over just one hundred days. Its failure threw control into the hands of the conservatives and paved the way for a fundamentally different reaction to the situation.

The reform movement was a reaction against the ineffectiveness of Manchu rule in the face of the changed conditions of life and the active aggressions of the Powers. Discontent had been manifested almost from the beginning of the century. It was especially pronounced during its third quarter, when only their own ineptitude and foreign support of the Imperial government prevented the T'ai P'ing leaders from overturning the dynasty. Rioting, piracy, brigandage—all of these were present on a wide scale in the last half of the century. The government had suffered defeat at the hands of foreign states in 1842, 1858–1860, and 1884–1885. Finally it proved unable to preserve its dominions even against invasion by the Japanese. Many of the officials were corrupt or incompetent or both; funds which should have been used for national defense had been diverted to private uses and court pleasures; offices were bought and sold, the traffic leading direct to the Chief Eunuch and through him to the Empress-Dowager. The indictment of the Manchus as rulers, and of their officials, was severe and deserved, and the swelling tide of discontent should have been directed against them. But the actions of the foreigners from 1869 to 1899 redirected popular hostility. The first internal reaction to the "cutting of the Chinese melon" was the attempt to strengthen the power of China to resist external encroachments by reorganization and reform on Western lines. This movement failed, as has been pointed out, by reason of the internal conditions that had made it possible. When the conservatives came back into control they had only one solution to present—a restoration of the former condition of isolation. "Get rid of the foreigners and all difficulties will have been overcome," became their slogan. It is easy to see, when the events of the years 1840–1899 are recalled, why they were able to divert attention from the shortcomings of the rulers by stimulating anti-foreignism.

9. THE BOXER MOVEMENT

As a matter of fact, they had only to take advantage of an already marked popular feeling. The year 1899 saw anti-foreign outbreaks in all parts of the country. The previous actions of the Powers would serve fully to explain these outbreaks, but it may be well to examine the causes of friction more closely to see why they became as much anti-Christian as anti-foreign. The obvious explanation would be that the foreigners called themselves Christians and that the missionary work in the interior emphasized this relationship. But the initial outbreaks were caused by and directed against native Christians even more than foreigners. Thus one explanation of the growth of hostility is to be found in the status and conduct of the convert and in the
missionary's position with respect to him and to the non-Christian. The converts were considered renegades who sought foreign aid and a privileged status by embracing Christianity. They not only practiced strange rites which in itself aroused occasional antagonism, but, of much more importance, they abandoned some of the ways of the past, and showed insufficient respect for the teachings of the sages. This was considered a direct consequence of their acceptance of foreign teachings. Of still more practical importance, they often refused to help defray the expenses connected with village entertainments and festivals, putting the refusal on the ground that the festivals were pagan and offensive to their new belief. Since these celebrations were community affairs, and since they constituted one of the few forms of relief from the general monotony of village life, it is not surprising that any opposition to them created friction. Furthermore the withdrawal of support by some increased the financial burden for the others. In addition to this, it may be suspected that in his contact with his fellows the convert on occasion assumed an attitude of superior morality on account of his new faith. Where this was the case it could not help but be offensive to those who felt no inferiority attaching to them for clinging to the old and tried beliefs.

Added to these causes of friction was the popular belief, still strong in 1900 in the interior parts of the country, that the Christian indulged in strange orgies and inhuman practices, such as plucking out the eyes of children. The fact that such charges were found baseless wherever investigated did not detract from their force in arousing hostility to Christians.

But perhaps as serious as any cause of trouble was the fact that the Roman Catholic priests often, and Protestant missionaries sometimes, intervened in litigation in behalf of their converts, seeking to throw the mantle of the special position of the foreigner around them. The priests went a step further and demanded magisterial honors in their intercourse with officials. This added to the hostility of many officials and aroused that of others, causing them to connive at persecution of converts and attacks on missionaries.

Thus it is easy to explain the outbreaks of 1899–1900 in terms of the private as well as the public relations of Christians, both native and foreign, and the Chinese. Join to this the aggressions of the Powers and the fear thereby engendered of the partition of China, and the development of anti-foreignism is readily understandable. Of course the movement of the Powers on China was checked in 1899, but as the attempt was made in that year and in 1900 to put into effect concessions secured earlier, the consequences of the events of 1897–1898 were driven more fully home to the people.

The initial unrest showed itself first in the provinces, although the situation in Peking became so serious in 1899 that the legation guards were augmented for a time. Chinese friends told the foreigners openly that there
was a concerted move on foot to eliminate them and their influence from
the country. They refused to heed the warnings, however, regarding such
action as inconceivable. Protests of course were addressed to the Tsungli
Yamen against occurrences in the various parts of the country. But no seri-
ous attention was paid to the storm clouds which were gathering until
May, 1900, when a stronger force than before was brought to Peking to
guard the legations.

The anti-foreign movement gained greatest headway in Shantung prov-
ince. Report after report came to the legations in Peking of outrages com-
mitted by organized groups, of which the strongest and best known was
the “Society of Harmonious Fists” or Boxers. Boxerism spread from Shan-
tung to Chihli province, and early in 1900 members of the society began to
practice their rites in Peking. From their first appearance they had strong
support at the Court, as also among the officials in the provinces, but it was
not until the siege of the legations had commenced that the Court finally
threw its official support to the side of Boxerism. The formal relation of
the government to the inception of the movement has never been fully
established, but that it was committed to Boxerism in its final stages is
perfectly clear.

As the Boxers assumed more control in Peking the legations were put in
what may be described as a state of semi-siege, communication with the
outside being largely cut off. In consequence of this the attempt was made
to bring in an additional force for the protection of foreigners. While Ad-
miral Seymour’s column was on the road from Tientsin the decision was
made by the commanders of the foreign squadrons which had been sent
to north China, the Americans alone dissenting, to force the road to Tien-
tsin. The Taku forts were consequently bombarded. This precipitated in
fact a state of war between the foreign governments and China and had
much to do with bringing the Imperial troops and the Court into open co-
operation with the Boxer forces. It was largely responsible, for that reason,
for the failure of the Seymour expedition to reach Peking. It also reacted
to the disadvantage of those in the legations, since the semi-siege conditions
were thereafter transformed into a fully organized attack on the legations.
The siege of the legations continued from June to August, 1900, when
an allied expeditionary force relieved the beleaguered foreigners. This
produced the collapse of Boxerism throughout the country. The officials of
the Yangtse region and the southern provinces had refused to participate in
the movement and had kept down manifestations of anti-foreignism in the
face of Court orders to “drive the foreigners into the sea,” so that it was only
the north over which the allied expedition had to gain control. Conse-
sequently the uprising of 1900 cannot be considered a truly national move-
10. THE CONSEQUENCES OF BOXERISM

When the allied troops approached Peking the Court fled from the capital, as it had in 1860 under similar circumstances, and the foreigners were left in control. The question of the future of China was thus raised again in an acute form. There seemed to be presented to the foreign Powers three possible alternative policies. They might complete the partition of China along the lines indicated in the years after the war with Japan: they might establish a new dynasty with international support; or they might bring the Manchus back to Peking and support them in an attempt to reorganize, modernize, and strengthen the government.

The United States took the lead in persuading the other states to accept the third alternative, thus adding eleven unearned years to the life of the dynasty. In the midst of the siege of the Legations, Secretary of State John Hay, in a circular letter to our representatives abroad, declared that: “the policy of the United States is to seek a solution which may bring about permanent safety and peace to China, preserve Chinese territorial and administrative entity, protect all rights guaranteed to friendly powers by treaty and international law, and safeguard for the world the principle of equal and impartial trade with the Chinese Empire.” 18 He also declared for coöperative action by the Powers to reach a settlement with the Chinese government. This declaration of policy was a complete reversion to that established in 1857 and given formal expression in the coöperative policy of Anson Burlingame. The American principles were finally accepted by the other states, which proceeded, after the relief of the legations, to formulate their demands on the Chinese government in common, although not in entire harmony. It was this lack of harmony, rather than the unwillingness of the Chinese to reach a settlement, which protracted the negotiations into the summer of 1901, when the Boxer protocol was finally signed and the trouble officially brought to an end.

The net results to China of her attempt to get rid of foreigners were: 1) the acceptance of an indemnity charge of 450,000,000 taels, secured on the Maritime Customs and the Salt Gabelle, which seriously complicated her financial problems; 2) the raising of the customs charges to an effective five per cent, solely in order that she might be able to meet the indemnity payments, and a further change of the duties from a partially ad valorem to a completely specific basis; 3) the punishment by death or in other ways of some of her officials; 4) the permanent quartering of foreign troops in her capital as legation guards, and the foreign policing of the area from Peking to the sea; 5) the establishment of a Foreign Office to replace the Tsungli Yamen, and a revision, in the foreign interest, of the ceremonial to be used.

18 V. Moor's Digest, p. 482.
in case of audiences with the Emperor; 6) the suspension of the examinations for five years in all cities where anti-foreign outbreaks had occurred; and 7) the prohibition of the importation of arms for two years, extended by two-year periods if and as long as the foreigners desired. These were among the formal terms of settlement.

From the point of view of future development the collapse of this conservative reaction to the movement of the Powers on China had the further important consequences of inaugurating an era of conservative reform in the endeavor to strengthen China and preserve the dynasty, and of producing a significant redirection of the European impact on the Celestial Empire.

REFERENCES FOR FURTHER STUDY

CHAPTER VIII

THE RUSSO-JAPANESE WAR

1. RUSSIA AND JAPAN NATURAL ANTAGONISTS

Ten years after the outbreak of hostilities between China and Japan, the latter found itself engaged in war with a much more powerful antagonist. Japan's success, instead of leaving her supreme in Korea, had the effect of substituting for the decaying Chinese Empire in the struggle for control at Seoul a far more dangerous opponent. Russian influence was re-introduced into Korean affairs immediately after the signature of the treaty of Shimonoseki, and Japan found herself forced to share the position of dictator to the Korean government with that ever-expanding Power. Furthermore, the aftermath of the war, the struggle for concessions in China, had resulted in the establishment of a claimed sphere of interest for Russia in Manchuria, and the leasing of a port and the building of a strong naval base in the Liaotung peninsula, so located as to enable Russia to threaten both Peking and Seoul. This Russian advance was of such a nature as seriously to alarm Japan, causing her inevitably to become the primary opponent of Russia in the Far East.

It is to this developing conflict of interest that we now turn our attention. As indicated, it involved two separate regions—Korea and Manchuria—and it will be best to treat the problems centering in these two areas separately. It will be most convenient, and will furnish the clearest approach to the problem, if we consider first of all the interests of Japan and Russia in Korea and Manchuria; then trace the development of Russian interests and policy in Manchuria in some detail and indicate the various steps taken by the Powers to check her move southward from Siberia; and finally turn our attention to the struggle of Japan to maintain herself in Korea.

2. THE STATUS OF MANCHURIA IN 1900

It will be of advantage, however, preliminary to this, to consider the status of Manchuria in the Chinese Empire before it became a center of international interest. Situated in the northeastern part of China, although cut off from the eighteen provinces of China proper by the Great Wall, Manchuria includes a total area of 365,000 square miles, lying within the parallels of 39° and 53° 30' north. The climate is very cold in winter and hot in the summer, becoming ever more rigorous as one moves northwards. In spite of the severe climate, however, most parts of the region are very
productive. The principal crop in 1895 was the soya bean, large quantities of which were exported south into China. It was only after 1890 that Japan began to import Manchurian beans, the bean being used for food purposes, the oil for sauces, and the cake for fertilizer. From that time she became an increasingly important market for it. In addition Manchuria produces millet, kaoliang, wheat, and other cereals. By 1900 it was already evident that the country could be looked to as a great granary for the future. In addition to its agricultural productivity Manchuria possesses tremendous wealth in timber and is rich in minerals, including coal, iron, and gold. Such a domain was well worth a struggle to gain or to retain.

From the point of view of politics and government Manchuria differed from Korea in that it was an integral part of the Chinese Empire, governed directly from Peking. Furthermore, since the ruling dynasty in China had come from there, the territory had a peculiar interest for it. Because of this interest the Manchu policy had long been to keep their Chinese subjects out of the region north of the Great Wall. But by 1900 this policy had broken down and settlers from Shantung and Chihli provinces had populated the land so extensively that the Manchus were decidedly in the minority. It is to these Chinese immigrants that credit must be given for the economic development of the country.

From every point of view, then,—legal title to the territory, predominance of population, and credit for economic development—Manchuria was as much a part of China as any of the eighteen provinces. Russia, in other words, was seeking, after 1895, to detach part of the Chinese Empire, and Japan was playing the game of China so far as she was interested merely in checking Russian aggression.

The region which aroused so much interest after 1900 was divided into three parts for governmental purposes. In the south was Fengtien province, including, prior to 1898, the Kwantung, or Liaotung, promontory. This was the most thickly settled and the most highly developed part of Manchuria, and had been brought under the usual Chinese civil administration. To the north lay Kirin province, less settled and kept under the Manchu military régime; and still further north lay the almost totally undeveloped province of Heilungkiang. The movement of population was naturally from the south northwards and was, no less naturally, a gradual one. It was, however, a Chinese movement, as no Russian settlers had come down from the north, across the Russian frontier, except as they were brought in to serve the railway or as soldiers. This remained true even to the time of the outbreak of war with Japan.

3. Russia in Manchuria

The Russian interest in Manchuria and Korea must be considered, therefore, as political and strategic rather than economic. Prior to the occupa-
tion of Port Arthur and Dalny (Talienwan), there was, to be sure, an economic motive underlying the Russian advance. Russian policy during the years from 1896 to 1899 was designed to facilitate the completion of the Trans-Siberian Railroad by securing a right of way across northern Manchuria, and to bring about a peaceful economic penetration of China. Back of this economic penetration, however, there was a political motive. Russia had no great trading or financial interests urging that the government secure privileges for them. But the government was interested in the building of railroads and the furtherance of other Russian interests in Manchuria and China in the hope that ultimately, upon the disintegration of the Chinese Empire, or even without its complete disintegration, large sections might be brought into the Russian state as a result of a previous economic attachment to it.

After the scramble for concessions began, however, the idea of peaceful penetration gave way before the prospect of an immediate partition of China among the Powers. Instead of living up to its expressed intention of protecting China, the Russian government acquired Chinese territory—by lease only, it is true—and instead of utilizing her new territory for commercial purposes she proceeded to make of Port Arthur the strongest naval base in the East, closing it altogether to commerce, although leaving Dalny a commercial port. From this time Russian policy in Manchuria became more and more one of direct aggression, marked by the attempt to assume governmental functions. That this was not altogether to the liking of some of the Russian statesmen is revealed by Count Witte in his Memoirs. But he also shows that political expansion was behind the several Russian moves on the Manchurian chess-board. Russia wanted the Liaotung peninsula in order that she might have a warm-water port for the use of her fleet; she built railroads in Manchuria with the domination of that area in view; and after 1900 she tried in every possible way to detach Manchuria from the control of Peking. In short, her policy was one of deliberate aggression on a state to which she was united by a mutually defensive alliance.

If the Russian interest in Manchuria was, at least in its origin, partly economic, in Korea her policy was entirely political. She had no trading interests there worth mentioning and no territorial contact with Korea except that at the southern end of the maritime province. Furthermore, she had no goods for which a market was necessary and no surplus capital demanding an outlet under the national protection. Any moves Russia made to establish herself in Korea must be considered as signs of an aggressive intention, and of an aggression in no way necessitated by the economic needs of the Russian Empire.

1 The obligation had only been assumed to protect China against Japan, but China was justified in assuming at least that Russia herself would not try to seize her territories.
While the primary interest of Russia was in Manchuria, that of Japan was in Korea. In that country she had built up substantial commercial and financial interests. And, as has been pointed out, she had a natural self-protective interest in preventing Korea from falling into the hands of any other Power, especially such a strong and naturally expansive state as Russia. The comparison of Korea with a dagger pointed at the heart of Japan had real significance when the hand holding the dagger threatened to be that of Russia.

The Japanese economic interest in Manchuria was, prior to 1905, potential rather than actual. The Japanese had begun to import the principal Manchurian product, the soya bean, and far-sighted Japanese statesmen undoubtedly appreciated the future possibility of drawing raw materials, as well as an enlarged supply of foodstuffs, from Manchuria. But at the beginning of the twentieth century the food problem in Japan had not become acute and industrial development was just commencing. This development had been stimulated by the war with China and still further advanced by the indemnity payment secured as one of the conditions of peace. In the four years following 1900 Japan certainly began to show signs of change from an agricultural to an industrial base, but it was particularly after the war with Russia that the tendency became marked. Thus Manchuria was not an area in which Japan had existing economic interests of any importance. Her potential interest, however, would help to explain the Japanese attitude toward the development of Russia's exclusive policy.

It is also necessary to guard against reading into the Japanese policy in 1904 the interest (which developed later) in Manchuria as a colonizing area in which a surplus population might be settled. Both economic interest and the need of an outlet for her surplus population may perhaps be accepted in partial explanation of Japan's policy after 1905, but they did not greatly influence it during the development of the conflict with Russia.

There were two much more fundamental reasons for Japanese action up to 1905. As early as 1895 the Japanese government had shown a desire to expand territorially on the Asiatic mainland when it had demanded the cession of the Liaotung peninsula. This indicates an aggressive tendency, which was restrained only temporarily by the Three-Powers' intervention. Japan wanted a foothold in Manchuria just as much as Russia did and possibly for the same reason—empire building. But since she could not hold it she was content to accept the status quo. The establishment of Russia in Manchuria, however, disturbed that status and at the same time threatened Japanese security. Every advance made by Russia brought her into

\* Supra, pp. 137–138.
closer contact with Korea and, through Korea, with Japan. Aggressive Russia on the Korean border and at Port Arthur menaced Japan indirectly through a threat to her position in Korea and directly because of her closer proximity. Consequently, while Japan could afford to forego Manchuria, which she would have liked to possess herself, rather than embark on an expensive war for its control, she would fight rather than see a strong European Power entrenched therein, unless at the same time her position in Korea was fortified. In pursuance of this policy she showed a willingness to compromise with Russia, in order to avoid war, if Russia would recognize her supremacy in Korea; this compromise Russia rejected. It must be observed, therefore, that it was the Russian advance toward the south which made war with Japan inevitable, even though it is true that Japan had an ultimate interest in Manchuria similar to that of Russia.

5. Russian Policy in and After 1900

The interests of Russia in Manchuria in 1900, at the time of the Boxer uprising, may be briefly summarized, since they have already been partially described. As a reward for her leadership in the intervention which had restored the Liaotung peninsula to China, Russia had been granted the right to construct the Trans-Siberian Railroad across northern Manchuria from the Chinese village of Manchuli to Vladivostok. By a later convention she had been given, in addition, the right to drop a branch of this line southwards from Harbin to Port Arthur. China's participation in the construction and operation of these roads was limited to the investment of five million taels in the Russo-Chinese Bank, which was brought into being in 1896 under a Russian charter to finance the construction of the railroad, and to the appointment of the president of the railroad company. The duty of the president was to supervise the operations of both the bank and the company to see that they did not overstep the bounds of their authority under the concession agreements.

The Russo-Chinese Bank was purely a Russian concern so far as its incorporation and control were concerned. In addition to financing the various projects conceded to it by the Chinese government, it was empowered to bring into being a corporation for the construction of the railroads and for their operation after completion. The company building and operating the Manchurian section of the Trans-Siberian Railroad was known as the Chinese Eastern Railway Company, and that for the building of the southern projection as the Manchurian Railway Company. Both were controlled and directed by the Russian government as Russian concerns. The money for the financing of the roads was found by the bank, not in Russia, which was borrowing largely abroad for her own needs, but in France. The investor was protected in his rights by a Russian government guarantee in-
stead of by a mortgage on the railroad properties. The other functions of the bank have already been sufficiently described.\textsuperscript{3} China was placed under an obligation, by the terms of the several agreements, to protect the railroad properties, but the company had the right to acquire lands necessary for their construction and effective operation, and had "the absolute and exclusive right of administration of these lands."

In addition to these railroad rights in Manchuria, Russia had the lease in the Liaotung peninsula which has been mentioned. This she had demanded even though she had previously pointed out (at the time of its acquisition by Japan) that the control of this territory by a foreign Power constituted a direct threat to Peking and could not be tolerated. Giving back the territory to China was hard for Japan, but having Russia step into her shoes so soon afterwards created a dangerous situation for her. This was especially true since that Power began immediately to fortify Port Arthur so strongly as to signify an intention of remaining there for a longer period than the twenty-five years of the leasehold. A commercial port under Russian control in the Liaotung peninsula was bad, but a strong naval base was infinitely worse.

It was particularly after 1900, however, that Russia displayed her true intentions in Manchuria. At the time of the Boxer trouble in China unrest developed in Manchuria. Brigands became even more active than usual. The same anti-foreign spirit developed that showed itself in the south, and the Boxers themselves put in an appearance. Consequently Russia took steps to protect her interests by throwing troops into Manchuria to guard the railroad. While the Powers were sending their expedition to relieve the Peking legations, in which expedition Russia took part, Russian troops were spreading out over Manchuria from the railroad zone as a center. The Chinese authority was supplanted for the time by the Russian military command. The other Powers were informed that the Russian occupation was only temporary, since it was made necessary by the inability of the Chinese government to control the Boxers and brigands, and that the troops would be withdrawn and Chinese control restored as soon as protection could be afforded to foreign, i.e., Russian, interests.

In November of 1900\textsuperscript{4} an agreement was reached between the Russian commander and the Chinese Viceroy (Tsêng-Alexieff Convention) by which the southern province (Fengtien) was to be restored to the Chinese civil administration on condition that the Chinese soldiers should be disarmed and disbanded, that all munitions of war should be given up to the Russians, and that all fortifications not in the control of Russia should be demolished. Russian troops were to be withdrawn, however, only when the pacification of the province, in the opinion of the Russian government, had

\textsuperscript{3} Supra, p. 148.

\textsuperscript{4} Although apparently it was not signed until January 30, 1901.
been completed. Law and order were to be maintained by the local police, with Russian aid if necessary. It is obvious that pacification could not be successfully brought about by a local police when order had not been maintained by the police and the military in combination, and that the forced disarming of the Chinese troops meant continual unrest in the province. This would give Russia the necessary excuse for its continued occupation. This convention was not concluded with the Imperial government but with a local official, and it was never ratified. But its publication caused a stir abroad. This led to a second denial by Russia that she had any aggressive designs in Manchuria. In this denial, however, the Russian government insisted that before it could evacuate Manchuria it would have to receive effective guarantees from China against a renewal of the disorder which had led to the intervention.

Negotiations for the evacuation of Manchuria continued during 1901 and 1902, Russia always conditioning her withdrawal on the acceptance of terms by China which would strengthen Russian political influence there and would make inevitable a second intervention and permanent occupation.

Meanwhile there had been other indications of Russian policy. The Boxer outbreak reached Peking in June of 1900. By August the Powers had relieved the legations, and, since the court had fled to Sianfu, had assumed complete control in north China. This presented an extremely favorable opportunity for the extinction of China by completing the process of division of the Empire among the Powers along the lines marked out in 1898. The United States, however, immediately announced its continued adherence to the policy of the "open door." It further declared its belief that the Powers should open negotiations with the Chinese government on the basis of the maintenance of the independence and territorial and administrative integrity of the Empire. During the negotiations which followed the suppression of the Boxer uprising the United States consistently maintained this attitude, protesting against the Russian occupation of Manchuria, and against the acceptance by China of such conditions of evacuation as those contained in the Tsêng-Alexieff agreement. This protest was reaffirmed from time to time after the signature of the Boxer protocol when later Russian demands made protest necessary.

The Russian policy in Manchuria also led Great Britain and Germany to draw together in alarm at the threat from the north. In 1900 they reached an agreement, to which they invited the adherence of the other Powers. By this they were committed to maintain the status quo territorially in China, without seeking to take advantage in their own interest of the disorganization of the Empire; to work for the opening of the entire Empire to the trade of all nations; and to concert the necessary measures for the protection of their interests in case any one state attempted to change the status quo in its own interest. The effectiveness of this agreement in checking the
Russian advance in Manchuria was decidedly lessened, however, by the construction put upon it by Germany, restricting its scope to include only the eighteen provinces. The agreement, none the less, may be regarded as having been of importance for China. It was, of course, not altruism which prompted this action, but rather a recognition by the trading Powers that their interests demanded the preservation of China, and the fear felt by all that an attempt at partition would result in a grave international crisis.

For Russia conditions after the Boxer uprising offered an exceptional opportunity to fish in troubled waters. Following precedent, she attempted to promote her interests at the expense of China by posing as a friend. After seizing the railroad from Shanhaikwan to Tientsin against the protests of the Americans and the British, she proceeded to insist upon the evacuation of North China by the allied troops before the signature of the peace agreement between China and the Powers. She withdrew her legation to Tientsin, and she urged the return of the Chinese Court to Peking, and absolute non-interference by the Powers in the internal affairs of the Chinese Empire. Naturally she made, so far as this policy was concerned, a distinction between China and Manchuria, insisting that the Manchurian settlement must be the concern solely of herself and China. It may be seen that her intention was to secure herself in Manchuria and strengthen her footing at the Court by appearing otherwise as China's defender against the other Powers. This time, however, she was not as successful as she had been in 1860, when she had secured the Primorsk as a reward for mediating between China and the Anglo-French occupiers of Peking. The Chinese were coming to recognize Russian friendship as a dangerous thing to encourage. And when peace was actually made it was found that Russia had not allowed her consideration for China to go to the length of preventing her from receiving the lion's share of the indemnity of 450,000,000 taels.

After the Boxer uprising had been put down in North China, it soon became apparent that Russia had no intention of retiring from Manchuria except on her own terms. She professed one policy to the maritime Powers, the United States, England, and Japan, who repeatedly protested against the continued presence of her troops north of the Great Wall, but continued steadily to press her terms on Peking. What she desired to do was to present the protesting states with the accomplished fact of an agreement with the Imperial government of China. This she expected to accomplish by insisting that Manchuria was a subject for negotiation only between the Powers concerned—herself and China—and then after securing an agreement to her demands she intended to insist that China as an independent state had the right to make any agreements she liked. She felt confident that no Power would be sufficiently interested or would have the power to make an issue of the matter. That this interpretation of her policy is

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6 A distinction subsequently made and insisted upon also by the Japanese government.
correct is shown by Count Lamsdorff’s reply to Secretary Hay’s protest against Russia’s demand on China for exclusive privileges in Manchuria. Lamsdorff stated that “negotiations carried on between two entirely independent states are not subject to be submitted to the approval of other Powers.” China, however, under pressure from, and with the assurance of the support of, England, Japan, and the United States, refused to accept the successive conditions laid down during 1901 by Russia for the evacuation of Manchuria.

6. THE ANGLO-JAPANESE AGREEMENT OF 1902

Then in 1902 an event took place which had an immediate effect on Russian policy and ultimate consequences of great significance. This event was the signature of the Anglo-Japanese agreement. Conversations looking to the conclusion of an agreement respecting their interests and policy in the Far East were begun at London early in 1901. The initial suggestion that negotiations be undertaken came from Germany rather than from either Japan or Great Britain, and was for the making of an alliance among the three Powers. The exact reason for the German proposal is not clear, but she had been cooperating with England financially in the years after 1895, and had entered into an agreement with her in 1900 to protect the status quo in China. Consequently it would seem that there was at Berlin a recognition of the similarity of German and British interest in the Far East. Furthermore, after 1900 there was an influential group in Germany interested in bringing about a rapprochement with England. But the constant shifting of German policy at this time is indicated by her insistence on restricting the scope of the 1900 agreement to exclude Manchuria from its guarantees. She showed indications of wanting to cooperate with England, but not to the point of antagonizing Russia. And English and Japanese interests could be protected only by adopting a strong attitude toward Russia’s Manchurian policies. Thus, while Germany, for whatever reason, made the suggestion, the negotiations for an alliance were carried to completion with little attempt to draw her into them.

In Japan, after the war of 1894–1895 with China, there were two conceptions of the proper policy to be pursued. One group thought that the best way for Japan to protect herself against the Russian advance was to enter into an alliance with Russia, reaching an agreement with her as to their respective interests in the Far East. The other party inclined toward an alliance with England as the most logical and desirable step to be taken. Among the believers in the desirability of an alliance with England was Count Hayashi, the Japanese minister at the Court of St. James. After the suggestion had been made by the German Ambassador that an agreement might be reached so far as England was concerned, Count Hayashi asked
permission from his government to commence informal conversations with the British Foreign Office. These informal discussions eventually were changed into official negotiations, and were carried to a successful conclusion by the end of January, 1902.

The making of an alliance with one of the strongest of the Western states marks a milestone in the development of Japan as an Asiatic Power. It was the first treaty of alliance in modern times between an Occidental and Oriental state in which the two parties were on a footing of equality. More conclusively than any other accomplishment it marked the recognition of Japan and her elevation to a high seat at the Asiatic council board. More immediately important for Japan, however, was the fact that the alliance made it possible to take the necessary steps to protect her interests against Russia. In 1895 she had been forced to recede from the continent at the dictate of the Czar's ministers. In 1904 she would have had to give way again if it had not been for the protection afforded by British support.

That Japan should have wanted an alliance is readily appreciated; but why England should have departed from her policy of refusing to make permanent alliances by entering into an agreement with an Oriental state, is not at first glance obvious. Her interests were menaced by the Russian advance, which could have no other effect ultimately than to lessen the British trade opportunities in Manchuria. But she had recognized the superiority of Russian interest there by the Scott-Muravieff Convention of 1899 in return for a recognition of her position in the Yangtze provinces. It must be recognized, however, that her participation in the scramble for concessions was a departure from her former China policy. That departure was made necessary by the preoccupation in Africa, both in the north and the south, which made it impossible for her to assert herself in the Far East in opposition to the other Powers. Her African difficulties had been largely brought to an end by 1902, however, so that she was free to turn her attention again to China. And between 1899 and 1902 had come the Boxer rebellion, and the Russian move southward which, if allowed to become an accomplished fact, would make Russia dominant at Peking. Furthermore, Russia had not respected the spirit of the agreement of 1899. Belgian capital, well known to represent Russia and France, and actively supported by Russo-French diplomacy, had secured a concession for the construction of a road from Peking to Hankow in the heart of the Yangtze region. This projected Russian influence so far southward that it caused British diplomacy immediately to become apprehensive concerning India. It also brought Russia and France close to union of their respective spheres of interest. Such a union would have meant the end of the Chinese Empire,

* Except, of course, for the early acquisition of Hongkong. Her participation was, of course, consistent with her general Asiatic and imperial activities.
since both Powers had political rather than strictly economic aims in their respective spheres. These developments had caused Downing Street to return to its original China policy.

But in order to make that policy effective a combination of forces was required. First of all, England tried Germany, but found that she was not willing to antagonize Russia.\(^7\) France was an ally of Russia, and was herself interested in the further development of the sphere of interest conception. The United States and England had similar interests, but those of the United States were potential, and she was already showing that she could not be relied upon to do more than protest against changes in the status quo. Further than this, she would not have been willing to tie herself to any Power even to accomplish her own ends. This attitude she carried to the extent of refusing to participate in joint protests against the Russian policy, although she did send identical notes on several occasions. Japan alone was left. And the interest of Japan in checking Russia was even greater than that of England. Consequently, after considerable hesitation, Great Britain broke from her isolation and signed an agreement which put her behind Japan in case the latter became involved in war with the Russian Empire.

The preamble of the Anglo-Japanese agreement stated the general policy of the High Contracting Parties to be the maintenance of the status quo and of general peace in the Far East through the preservation of the independence and territorial integrity of China and Korea. In the first article recognition was given to the fact that the British interest was primarily in China, while Japan, in addition to her interest in China, was peculiarly interested in Korea, these interests in both cases, however, being non-aggressive in character. Each recognized the right of the other to take the steps necessary to the protection of its interests. If, in the defense of its interests, one of the parties to the agreement became engaged in war with another Power, the other would maintain a strict neutrality, and would use its best endeavor to prevent the other belligerent nation from securing support. In case any other Power should join the enemy of one of the members of the alliance, the other agreed to come immediately to its ally's assistance, making war and peace in common with it. The alliance was to run for five years, and, if not denounced at the end of that time, was to continue for a period of one year beyond the time of its denunciation. Thus the agreement meant that Japanese and English diplomacy would work hand in hand at Peking to check Russia, failing in which Japan would oppose her in the field while England prevented Russia from securing active support from any other Power.

Russia and France replied to the challenge by announcing that, while

\(^7\) Furthermore, Anglo-German relations in Europe were becoming strained, and England was the only Power in Europe without assured support. The Anglo-Japanese alliance was a significant play on the world stage as well as on the Far Eastern stage.
they were in sympathy with the purpose of the Anglo-Japanese agreement—the preservation of the independence and the integrity of China and Korea—they had agreed to extend the scope of their alliance to cover the Far East. France, however, seems to have let it be known that she would actively support Russia in case war broke out only if the peace were disturbed in Europe.

But in spite of this tacit acceptance of the challenge, Russia immediately modified her policy in Manchuria by accepting the proposals made by China for the evacuation of her territory. These proposals, as finally embodied in the Manchurian Convention of 1902, provided for a complete evacuation of Manchuria within eighteen months, south Manchuria to be evacuated at the end of six months, central Manchuria at the end of twelve months, and the entire territory to be restored to China's control at the end of the period. Some conditions, relating to the method of withdrawal and to the protection by China of Russia's interests, were attached to the agreement to leave, but the joker in it lay in the proviso that Russia would withdraw "provided that no disturbances arise and that the actions of other Powers furnish no obstacle." So long as the Russian troops remained, the prevention of disorder was sure to be difficult, and Russia might easily so construe the actions of other Powers as to give an excuse for the non-fulfillment of the engagement.

As a matter of fact, Russia herself acted in such a way as to justify charges of lack of good faith in the fulfillment of her obligation. Southwestern Manchuria was duly evacuated, but the troops, instead of being withdrawn from Manchuria, were merely concentrated in other parts of the province. Barracks were constructed along the railroad to make provision for them, and Russian action indicated that use would be made of them as railroad guards. In other words, Russia indicated that she would fulfill her engagements only so far as she was compelled to do so by an unremitting pressure strong enough to prevent her from defying it. This pressure had to be supplied by other Powers than China, as the Imperial government could not enforce the terms of the agreement against her northern neighbor.

7. THE KOREAN QUESTION

Besides this indication of bad faith in Manchuria, Russian action in Korea and particularly on the Korean border was becoming alarming. In order to understand this, we must turn to the second field of conflict of Russian and Japanese interest.

During the war with China, and for a short period following that struggle, Japanese interests were in the ascendancy at Seoul. During this time the Japanese acted as masters in the Korean kingdom, and they used their mastery to transform Korea, on paper and overnight, from a misgoverned
Oriental despotism into a modern state. Because of the resistance this policy encountered from the Queen and her adherents, the Japanese were led to instigate, and actively participate in, a midnight attack on the Palace, with the result that the Queen, as the focal point of opposition to their policy, was murdered.

This action aroused the Koreans, but they were unable to retaliate immediately. In 1896, however, an uprising occurred on the northern frontier which caused the sending of troops out of the capital city. At the same time a detachment of Russian marines arrived in Seoul from Chemulpo. On the day following the arrival of the Russians the King of Korea fled in disguise from the Palace to the Russian legation, where he was received and given asylum. For a short period the government was directed from the Russian legation. Japanese ascendancy, after an eminently successful war, was replaced by that of Russia. She had her own policy to blame, of course, but Russian control was no less distasteful for that reason. In the summer of 1896 Japan abandoned her claim to supremacy in Korea and made an agreement (the Yamagata-Lobanoff Protocol) with Russia by which the two parties were put upon a footing of equality in the kingdom. Both parties agreed: (1) that, withdrawing their forces from the peninsula, they should allow Korea, so far as possible, to police her own territory; and (2) that they should unite in pressing financial reforms on the Korean government, and that, if it needed foreign money to carry out the indispensable reforms, the two governments should "of a common accord render their support to Korea." During the time of her ascendancy, however, Russia had secured for herself two concessions, a valuable timber concession on the Yalu River which became of great importance later, and a mining concession on the Tumen River.

Before the ink was fairly dry on the Yamagata-Lobanoff Protocol Russia began to violate its terms. Instead of allowing Korea to reorganize her army unaided, Russia introduced into the kingdom advisers to aid in its organization along Russian lines. She also attempted to obtain control of Korean finance.

As a result of her policy a reaction against Russia set in in Korea, and this brought with it a strengthening of the Japanese position. In the face of the apparent bad faith of Russia, Japan instituted new negotiations with her. Made more conciliatory by her policy in Manchuria, and by the lease she had secured from China in the Liaotung peninsula, which could not but be objectionable to the Japanese, the Russian government agreed, in 1898, to a redefinition of its position in Korea. Recognizing the sovereignty and independence of Korea, each contestant for power agreed not to assist Korea in the reorganization of her army and her finances without having reached a previous agreement with the other party, and the Russian government agreed not to impede the development of Japanese commercial and
THE RUSSO-JAPANESE WAR

industrial interests in Korea. This convention (the Nishi-Rosen Convention) remained as the formal basis of Russian and Japanese policy in Korea from 1898 to the outbreak of war.

But while this agreement had been reached, it did not settle the Korean question. Russia remained intermittently active there, pressing demands for concessions on the government and trying to secure a port for her use. Japan worked feverishly to strengthen her position and to check the successive moves made by Russia, and in both aims she was largely successful. The Japanese population increased by leaps and bounds, trade developed enormously, and large sums of money were invested in the Korean railways and other utility enterprises. The only serious competitors to the Japanese were the Americans, and even this competition did not seriously check the establishment of Japan, by 1904, in a dominant economic position. Five years from the signature of the Nishi-Rosen Convention found the Japanese Foreign Minister able to say with truth: “Japan possesses paramount political as well as commercial interests and influence in Korea, which, having regard to her own security, she cannot consent to surrender to or share with any Power.”

8.

FUSION OF KOREAN WITH MANCHURIAN QUESTION

This position of predominance had been achieved by the time when, in 1902-1903, the Manchurian and Korean questions became fused. Among other expedients resorted to by Russia to dispose of her troops in Manchuria without withdrawing them to Siberia was that of sending them into the Yalu River region as woodcutters to make use of the timber-cutting concession gained in 1896. This concession, by its terms, had lapsed, since Russia had made no attempt to develop it during the five-year period specified in the agreement. This did not, however, prevent her from insisting on its revival. Her insistence was the firmer because the Czar himself had become interested in it, and since he had been persuaded that no effective opposition could be made by Japan.

Japan’s Korean and Chinese policies had been kept distinct up to this point. Her policy had been to defend her interests in Korea by her own independent action, and to cooperate with other Powers in Chinese affairs. Now she recognized that she must reach some sort of agreement with Russia which would take both regions into consideration. In 1903 the Japanese minister at St. Petersburg was instructed to ask the Russian government to enter upon discussions with a view to a complete definition of the eastern interests of the two states. Russia agreeing, Japan submitted a series of proposals as a basis for discussion. These proposals may be summarized as follows: (1) that both countries agree to respect the inde-

8 Asakawa, Russo-Japanese Conflict, p. 298.
pendence and territorial integrity of China and Korea, and to maintain
the “open door” principle in those countries; (2) that Russia recognize
Japan’s special interests in Korea, and concede her right (a) to develop
those interests further, and (b) to give advice to the Korean government
in the interest of reform. In return, Japan would recognize Russia’s special
railway interests in Manchuria and concede her the same right of future
development within the limitations of the first stipulation. The Russian
counter-proposals provided: (1) for a mutual agreement to respect the inde-
pendence and integrity of Korea, omitting the similar Japanese proposal
as to China; (2) for a Russian recognition of Japan’s superior interests in
Korea, and of her right to assist in reforming the civil administration; (3)
for an engagement by Russia not to interfere with the development and
protection of Japanese commercial and industrial interests in the kingdom;
(4) for a mutual agreement not to fortify on the coasts of Korea so as to
menace freedom of navigation in the Straits of Korea, or to use any Korean
territory for strategical purposes; (5) for the erection of the portion of
Korea north of the thirty-ninth parallel into a neutral zone; and (6) for
“recognition by Japan of Manchuria and its littoral as in all respects out-
side her sphere of interest.” In other words, Japan was to allow Russia a
free hand in China and Manchuria, while Russia was to allow Japan to
develop only industrial and commercial interests in Korea, a development
which Russia had previously shown herself powerless to prevent.

The final Japanese proposals conceded a little to the Russian position,
mainly by making the limitations on her action in Korea applicable to
Russia in Manchuria, and by recognizing not merely the Russian railway
interests in Manchuria but also all of that territory as outside Japan’s sphere
of interest. Russia, however, refused to recede from her original position
until too late. Japan severed diplomatic relations, and the war began in
February, 1904.

9. THE RUSSO-JAPANESE WAR

It would be interesting, if space permitted, to dwell on some of the many
interesting features of the war. Here was a war fought entirely on the
territory of states not parties to the struggle. This made necessary some sort
of agreement as to the exact status of Korea and China. The position of the
former was easily defined. Japan occupied the peninsula immediately upon
her declaration of war, and secured a treaty of alliance from the Korean
king. The United States, however, took the lead in the endeavor to protect
China by securing the agreement of the belligerents to localize hostilities
to Manchuria. If Russian policy had been different from 1896 to 1904, she
might easily have averted some of the naval disasters of the war by drawing
China in under the terms of their alliance, and making use of her port
and other naval facilities. The alliance must be considered to have lapsed,
however, as a result of the systematic aggression of the one “ally” on the other. Consequently, under the pressure of foreign opinion, both parties agreed to respect the neutrality of China outside of Manchuria. Each accused the other of violating its pledges from time to time, but on the whole Chinese territory was respected.

Throughout the last stages of negotiation the autocratic Czar of All the Russians apparently assumed that the decision for war or peace rested with him alone—that the Japanese would accept whatever concessions he chose to make rather than resort to war. This feeling, coupled with faulty advices as to the state of Japan’s military and naval power, help to explain the fact that Russia resorted to actions which could only result in war and yet made no adequate military preparations for that eventuality.

But beyond this, a satisfactory explanation of the entire Russian policy requires a recognition of the internal conflict at St. Petersburg. Three programs were competing for the favor of the Czar. The Minister of Finance had one program—that of peaceful penetration of Manchuria and China by means of the railway and of capital—which has already been outlined together with the steps taken to put it into effect after 1895. After 1898 appeared the group, identified in view with and represented by the adventurer Bezobrazov, who urged a program of economic activities supported by force. And finally there was the military-naval group, the members of which were interested in securing a Korean port and in gaining military control of Manchuria. The third group was primarily responsible for the throwing of such large bodies of troops into Manchuria in 1900 and for the seizure of the Peking-Mukden railway north of Tientsin. Of course the interests built up in furtherance of Count Witte’s program gave the necessary excuse for military intervention. The navalists were also responsible for the contradictions between diplomatic professions and military and political actions (1900–1902), the responsible ministers often being uninformed concerning actions of the military commanders in the Far East which belied their professions, and certainly being unable to control them.

After 1902 the Bezobrazov group, which had been intermittently active since 1898, became dominant in the councils of the Czar, their ascendancy being signalized by the dropping of Count Witte from the ministry. Their program involved a combination of pressure with extensive economic adventures, such as the use of the Yalu timber concession. It was this intensification of economic activities both in Manchuria and in Korea, coupled with the indications of bad faith in fulfillment of the Manchurian Convention of 1902, and the dilatoriness of Russia in responding to the Japanese proposals for a definition of interests in Korea and Manchuria, which so alarmed the Japanese government that it took the decision as to peace or war out of the hands of the Czar.

It would also be interesting to dwell on the attitude of the Western states
toward the two belligerents. Here only a bare summary may be made. England, of course, was committed to "keeping the ring" for Japan, financing her and generally acting as a "benevolent" neutral. Had it not been for the Anglo-Japanese agreement, and an early intimation from President Roosevelt that the United States would not tolerate intervention, Japan would almost certainly have faced a continental European intervention in support of Russia. As it was, both France and Germany went far as they dared, without an open departure from neutrality, in support of Russia—France because of the alliance, although she was not at all pleased to see Russia exhausting herself in the Far East and thus weakening her position in Europe, and Germany because she had been steadily encouraging the Russian move eastwards. American bankers supported the external credit of Japan. The people of the United States were entirely sympathetic to the Japanese, as was also President Roosevelt, although neutrality was carefully maintained.

At first sight the war appeared to be between two entirely unmatched antagonists, another case of the giant and the dwarf. But the dwarf again was prepared and the giant was not. Japan had begun to concentrate on naval development immediately after the peace of Shimonoseki, using part of the Chinese indemnity for that purpose, while still not neglecting her army. Consequently, she had a well-trained army and an efficient navy to meet the forces of Russia, more formidable on paper, but poorly led and ill-disciplined. Again Japan began by naval operations to secure her communications. Then she commenced to push the Russian armies back from one position to another until, with the fall of Port Arthur after a long siege and the display of heroism on both sides, and the defeat of Russia at the Yalu and again in the battle of Mukden, Manchuria had been cleared of the Russian invader as far north as Mukden.

10. THE TREATY OF PORTSMOUTH

The war had been a series of uninterrupted successes for Japan, but it had involved great loss of life and a very heavy drain on the national treasury. Furthermore, she had not begun to touch Russia, not even having driven her back on to her own territory, and not having been able to destroy her armies. When President Roosevelt, at the request of Japan, offered his "good offices" to the belligerents in the spring of 1905, the Japanese government, recognizing its inability to continue the struggle much longer, but without giving evidence to its opponent of its weakness, consented to enter upon peace negotiations with the Russians. The Russian government, on the other hand, was desirous of continuing the struggle until it had regained the ground lost, but it was not in a position, because of internal conditions and also on account of its financial weakness, to
refuse to go into conference with the Japanese. Accordingly Viscount Komura met Count Witte at Portsmouth in the summer of 1905. The Russians hoped that the Japanese, flushed with victory, would make demands which could reasonably be refused on grounds that would make the opinion of the world more favorable toward Russia and would rally the Russian people to the support of the government in a continuation of the war.

On the face of it that was just what the Japanese did. They demanded: 1) the recognition of the supremacy of Japan in Korea—a recognition which they had already secured from England in the revision of the Anglo-Japanese alliance effected toward the end of the war; 2) the transfer to Japan of the Russian interests, including the leasehold and the railroad, in south Manchuria; 3) the surrender to Japan of all Russian war vessels interned in neutral ports during the war and the limitation of Russia’s Far Eastern naval force; 4) an indemnity to cover the cost of the war; 5) the grant to Japanese subjects of fishing rights off the coast of Siberia; and 6) the cession of Sakhalin to Japan. In her counter proposals Russia accepted some of these demands, but refused absolutely to consider the limitation of her navy, the demand for an indemnity, and the cession of Sakhalin. Continued negotiations failed to bring the two parties to an agreement in spite of the pressure which President Roosevelt exerted on both sides. Finally they came together in what was expected by the Russians to be the last meeting of the conference. At that meeting Russia offered to cede half of Sakhalin to Japan in lieu of an indemnity, expecting that the Japanese plenipotentiaries would refuse, since Japanese public opinion seemed to be insistent on the latter. To the surprise of Count Witte, the Japanese delegation announced that it was instructed to waive the demand for an indemnity and that the Russian offer would be accepted. Nothing remained for Count Witte to do but to sign the articles, to his own personal satisfaction, but to the dissatisfaction of his government.

The Portsmouth Treaty, signed on September 5, 1905, provided: (1) For recognition of Japan’s “paramount political, military and economic interests” in Korea; (2) For transfer of the rights of Russia in the Liaotung peninsula to Japan; (3) That the southern section of the Manchurian railway be ceded to Japan; (4) That the portion of Sakhalin south of the 50th parallel be ceded to Japan; (5) That Russia and Japan should withdraw their troops from Manchuria but retain railway guards; (6) That neither Japan nor Russia should obstruct “any general measures common to all countries which China may take for the development of the commerce and industry of Manchuria”; (7) That railways in Manchuria be exploited purely for commercial and industrial, and in no way for strategical purposes—except in the Liaotung peninsula.

Thus the war resulted in a second advance of the Japanese position in the Far East. This time Japan gained the position on the mainland, once se-

* Hornbeck, Contemporary Politics in the Far East, pp. 253-254.
cured and then lost, which had been the goal of her policy in the sixteenth century. And she secured far more than her responsible statesmen thought possible at the time of the outbreak of the war. Taking up arms to defend herself against the menace of a strong and aggressive Power, she had effectively displaced that Power, leaving Russia, as the result of her activity, only a foothold in northern Manchuria. Supported during the negotiations preceding the war, and during the struggle, by her alliance with a strong Occidental state, she had carried through an advantageous revision of that alliance. Entering upon a contest to prevent the domination of Korea by Russia, she so effectually disposed of her second opponent in that land that she was able to throw her protection over the kingdom merely as a preliminary step in the direction of its annexation. Since she had attained and gone beyond her objectives, the war must be considered, from that point of view, a complete success for Japan. The question remained as to what use she would make of her new position.

REFERENCES FOR FURTHER STUDY

K. Adachi, Manchuria (1925), ch. 1–5; a description of Manchuria, of its early history, and of the Russian advance; a book to be used with care.
CHAPTER IX

FINANCIAL IMPERIALISM IN CHINA

1. METHODS OF CONQUEST OF CHINA

In her earlier contacts with other peoples and states China had repeatedly been conquered by military means. But the Chinese had then proceeded to conquer the victor by assimilating him—by causing him to accept the culture of China, both in its political and in its economic and social manifestations. This was possible for two principal reasons: 1) because the invaders were invariably not so highly developed as the Chinese, except in the art of warfare; and 2) because, in the process, the invaders came in person to establish themselves in the Celestial Empire, so that peoples met peoples and the stronger and more highly developed impressed their standards on those of a lower civilization.

In the modern period the conquest of China has proceeded by very different means. True, force was either actually present or close in the background as Europe advanced into the East; but European peoples did not come to China in great numbers, nor did their governments attempt to gain physical control of China proper. Nevertheless a very real conquest of China was undertaken after 1900. The agencies of control were less tangible than armies, thus more insidious and, ultimately, more to be feared. To the Chinese, the process was that of being gradually enfolded in the invisible tentacles of an octopus—European finance. The foreign customs were pledged as security for the Boxer indemnity and for other charges; provincial revenues were hypothecated; the salt tax was reorganized and brought under foreign administration because pledged as security for loans made to the government by foreign capital; the arteries of communication—the railway trunk lines—were built with borrowed money, and were subject to varying degrees of foreign control during the period of the loans. These were some of the concrete manifestations of the growing foreign financial control of China which might ultimately have meant the extinction of the state.

It is the purpose of this chapter to examine briefly the establishment of this control through finance—financial imperialism. The field of inquiry is thus narrower and more definite than an investigation of the economic interests of the European states and the United States in China. Financial imperialism is but a phase of the larger economic imperialism, but in China, prior to 1914, it was politically the most important phase.
2. EARLY WESTERN INTEREST IN CHINA

It has already been made clear that the chief early interest of the Western nations in the opening of the Chinese Empire was a commercial one. England, as the chief trading state, took the lead in breaking down the barriers to commercial intercourse. As a rule the rights and privileges demanded for foreigners were those considered necessary in order to enable them to carry on their trade more profitably, with perhaps a secondary interest in the missionary and his work. How far this was true of the attitude of any given Power, depended on whether its interest was purely economic or commercial or chiefly political or territorial. Toward the end of the nineteenth century the Powers showed an interest in the development of exclusive positions in parts of the Empire, and this interest, though given an economic expression, was largely political in its nature. But throughout the modern period of their intercourse with the Far Eastern countries, profit for the Western states lay at the back of the development of policy. As Overlach truly says: 1 "This, then, is the point of extreme significance, namely: that the bottom idea of all treaty stipulations and agreements as to intercourse, customs, extraterritoriality, spheres of interest, railway concessions and control was not the welfare of the people of China, but the profit and ease of doing business by the people of the west."

It is impossible to assign these prescribed conditions of intercourse as the sole, or even the most important, causes of expansion of the trade sought by Europe, except as the treaties did broaden access to the country by the opening of new ports and by somewhat ensuring the trade against the operation of hostile local opinion. But whatever the causes, foreign trade increased greatly after the ratification of the Tientsin treaties, and that without developing serious fear of foreign control of China. The total imports increased from 69,329,741 taels in 1867 to 447,100,791 taels in 1905. Exports expanded less rapidly, but still substantially, from 57,895,713 taels in 1867 to 227,888,197 taels in 1905. 2 The import figures are especially interesting as indicating the growth of a larger market for Western manufactured goods. It was the opium traffic which had turned the trade balance against China at the time when the country was opened by treaty. In 1867 opium still accounted for forty-six per cent of the total imports, while in 1905 the percentage had been decreased to seven and a half. This represented only a slightly decreased actual importation. The failure of the opium trade to expand was largely due to an increase in domestic production rather than to a change in the moral attitude of the traders. It had, however, come to be recognized that the traffic did retard the development of legitimate

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1 Foreign Financial Control in China, p. 272.
2 Morse, Trade and Administration of China, 312–327. The chart opposite p. 297 is worth consulting.
trade by exhausting the purchasing power of the Chinese. Importation of cotton manufactures, including yarn, increased from 21 to 40 per cent of the total imports, metals from 2 to 10 per cent, and sundries from 20 to 40 per cent from 1867 to 1905, while woolens fell from 10 to 1 per cent. Turning to exports we find a similar change, although perhaps one not so striking. Tea accounted for 59 per cent of the exports in 1867, silk and its products for 34 per cent, and sundries for 7 per cent. In 1905 tea had declined to 11 per cent of the total, while silk and sundries accounted for 31 and 58 per cent respectively. The same year found China with an adverse trade balance of slightly over 219,000,000 taels, due to an increased use of Western products disproportionate to the enlarged demand for Chinese commodities. Indian and Japanese competition, together with that of Ceylon, decreased the market for Chinese teas; Japanese and European competition made inroads on the silk market; and while new commodities, listed as sundries, appeared in the trade, the demand for them was not great enough to restore the balance which remained steadily against China.

During this period, since the Powers were primarily interested, as has been pointed out, in the development of trade, the traders had considerable influence in the shaping of policies. The governments of England and the United States, for example, were under a constant pressure and criticism from the China traders, who almost uniformly wished to proceed faster and farther than their governments. But while policy was influenced it was not controlled by the traders, nor was trade used unduly to develop and advance purely political aims. The diplomat did, however, in China as elsewhere, come to be more and more involved in the pressing of claims of an economic character and to be less and less concerned with purely legal and political relations. And as financial, or investment, interests began to appear, particularly after 1895, the union of finance and diplomacy became very close, with sometimes the one taking the lead and sometimes the other. This fact makes necessary a preliminary examination of the relationship with a view to ascertaining its justification as well as its essential nature, before we attempt to trace the growth of foreign financial interests in China.

3. RELATIONSHIP BETWEEN FINANCE AND DIPLOMACY

True diplomacy may be defined roughly as the art of maintaining relations of friendship and understanding between two states, and of promoting the legitimate interests of the one in the other. In the advancement of these interests, if friendship is to be maintained and understanding to be developed, a careful distinction must be made between illegitimate and proper interests. By a proper interest should be understood one the promotion of which will result in mutual advantage.

Trade, if developed on the basis of reciprocity, is entirely legitimate and
necessary, and diplomatic agents can and should attempt to secure the right to buy and to sell by showing the advantage of extended relations. They should be alert to safeguard trade interests against discrimination in favor of others. Again, a country such as China may be in need of foreign capital for its development, and the foreign representative should consider it to be part of his duty to ensure the capital of his state a complete equality of consideration for investment, and should see to it, as far as possible, that the interests of investors from his country are properly safeguarded.

But when the diplomatic agent begins to exert pressure on the government of a politically backward country such as China to secure a monopoly of trade or investment privileges for the nationals of his state, or when he brings pressure to bear to force conditions of trade which are wholly disadvantageous to the backward state, or when he seeks to coerce that state into borrowing on terms less advantageous than could be secured elsewhere, it must be considered that he is over-stepping his true position. In the long run such activities do not advance the real interests of either state.

Furthermore, when the lead is taken by diplomacy in securing privileges which are not being requested by the traders, or, more particularly, by finance, then there is justification for thinking that there is a motive behind the act which is political in its character and not purely economic. In other words, when there is a proper relationship established between business and diplomacy, the latter should be used to advance the legitimate interests of the former rather than to bring them into being in order to utilize them for its own ends.

If this point of view is correct, then the diplomatic activity of the several Powers represented at Peking should have been closely proportioned either to their trading or investment interests in China or to pressure exerted by national trade and finance on the government to secure its aid in the establishment and development of commercial and financial undertakings. Otherwise it is fair to assume a political motive back of diplomatic action.

When we look to trade we find that, prior to 1905, it was not considered necessary to keep separate record of the commerce of the states of continental Europe, except Russia, with the Chinese Empire. In the customs reports they were grouped together as a trading unit. The greatest trading Power in 1900 was Great Britain. Japan came second, both as to imports and exports, with the United States third. Russian trade amounted to about half that of the United States, while that of Germany and France, together with all of the other states of continental Europe, in total of imports and exports, was very little greater than that of the United States. In 1896 the trade of these several states with China was considerably less, the activities

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8 Of course diplomacy may and should turn the attention of national trading and financial institutions to a field hitherto neglected by them, and take the lead in that way. What is meant is the practice of extorting concessions for its nationals which they are not in a position to use.
of the years from 1896 to 1900 having brought a slight proportional increase.

When we turn to their diplomatic activity, however, there is a different story to tell. The most active Power at Peking was Russia, supported by France. The least active in pressing its claims on the Chinese government was the United States. And it was not the desire to promote trade relations which was the most marked feature of the pressure on China during those years and immediately after 1900. The reason for this is, perhaps, the fact that political ends could not be so readily advanced by the promotion of trade. Consequently it is to finance that we must turn to estimate the position and the policy of the Powers.

Beyond this, however, in determining the relationship between finance and diplomacy, it is necessary to try to ascertain whether the latter was merely making use of the former, or the reverse, if we are to gain an adequate understanding of the international situation. Too often, in the case of countries such as China, diplomatic pressure has been exerted to introduce national finance into the country. It is hoped then to utilize it in order to afford a pretext for later intervention on the ground of the necessity for protection of the initial investment. As a result of this intervention further privileges have been secured, whether or not they could be utilized, and thus a broader ground has been laid for intervention. Perhaps as a result of an intervention some measure of political supervision, especially of finance and of the protective services, might result. In other words, the ultimate aim of this apparently peaceful economic penetration of a backward country may have been consistently political rather than economic. And where the initiative has come from government rather than from finance, there is more likely to be a political motive involved than when the initiative has come from finance.

4. SPECIAL CHARACTERISTICS OF CHINA'S FINANCIAL PROBLEM

Before proceeding further we must observe certain special characteristics of the financial problem in China. In the first place, China was for a long time almost completely dependent on foreign capital for her development and for meeting the increases in her governmental expenditure which necessarily arose from the imposition of indemnity payments. For developmental purposes there was no domestic money market, not because there was no available capital in China, but because of lack of confidence in the government as an agency for the construction of railroads and the opening of mines—the two great fields for the use of capital. There was also a lack of familiarity with and confidence in the stock company as a form of organization capable of drawing into one set of hands large amounts of capital. To meet increased public expenditure there was an inflexible revenue system, and one not easily changed, since it was founded on immemorial
custom. Taxes on land and the production of salt could produce greater revenue only by an increase in the rate, which, of course, would meet with serious popular resistance. Furthermore, whereas modern states find the foreign customs the chief flexible source of income, China, because the rates were fixed by treaty, could not, until after 1930, meet her new needs by an increase in the foreign customs levies. Finally, it was impossible to produce increased revenues by a reorganization of the collection of the existing taxes, because of official interest in the possibility of “squeeze.” Consequently, in spite of the fact that per capita taxes in China were comparatively small, the Empire had to depend on the foreign money market to take care of its immediate governmental needs, and to provide for the great developmental undertakings such as the construction of railways.

In the second place, as will be readily appreciated, if the obligations of the Chinese government are carefully examined, it is almost impossible, because of the intimate relationship between foreign finance and diplomacy, to distinguish between China’s public and private obligations as they existed prior to the World War.4

In the third place, it must be noted that special national financial institutions usually secured the exclusive support of their governments in seeking concessions and in other ways securing the right to aid in the financing of China.

Thus Japanese loans have been made, for the most part, through the Yokohama Specie Bank . . . and a syndicate consisting of the Bank of Taiwan, the Bank of Chosen, and the Industrial Bank of Japan. . . . British financial interests have operated through the Hongkong and Shanghai Banking Corporation, and the British and Chinese Corporation, formed, in 1908, by the Hongkong and Shanghai Banking Corporation and the trading firm of Jardine, Matheson and Company. German financial interests have operated in China through the Deutsch-Asiatische Bank. Russian financial interests have employed as their agency the Banque Russo-Asiatique, earlier known as the Banque Russo-Chinoise. France has used the Banque de l’Indo-Chine, and, in association with it, the Credit Lyonnais, the Comptoir National d’Escompte de Paris, and other banks. Belgium has used the Société Belge d’Etudes de Chemins Fer en Chine. American interests, for the most part, have acted through a banking group (originally constituted by J. P. Morgan and Company, Kuhn, Loeb and Company, the First National Bank of New York, and the National City Bank of New York), the International Banking Corporation, and Lee, Higginson and Co.6

Thus, in some cases (as the Crisp Loan) 6 it has been impossible for responsible financial concerns to participate in the financing of China because they could not secure the support of their governments, since such support had already been promised exclusively to other institutions or groups. This has

4 MacMurray, Treaties, etc., vol. 1, pp. xiv–xv.
6 Infra, p. 235.
had the effect of restricting China's access, on competitive terms, to the
loan markets of the world.

5. FINANCIAL ACTIVITIES OF POWERS (1895–1908)

With this introduction it is possible to turn to the financial activities of
the Powers after 1895. A survey of these activities may be conveniently
divided into two periods, the first extending from 1895 to 1908, a time of
intense competition among the several Powers; and the second including
the years following 1908, when the Powers showed an increasing realization
of the dangers of an unrestricted competition, and, as a result of this
appreciation, tended to coöperate in the development and economic and
financial exploitation of China.

Prior to the war with Japan, China had no appreciable foreign debt. The
war, however, resulted in her agreement to pay an indemnity of 230,000,000
taels. Immediately Russia came to her aid, as she had in the matter of
the cession of the Liaotung promontory, and offered the Imperial govern-
ment a loan out of which to meet the first payments on the indemnity.
This loan of four hundred million francs, while made by Russia and
France jointly, was almost entirely subscribed in France. It was secured on
the Maritime Customs receipts, and by a Russian government guarantee.
Russia had no money to lend, but was willing to guarantee the loan be-
cause of the effect it would have on her position at Peking.

The British immediately pressed on the Chinese government a loan to
meet the second instalment of the indemnity, to the amount of sixteen mil-
lion pounds. This was an Anglo-German loan and marks the beginning
of coöperation of English and German finance in Chinese affairs. In 1898,
when the final installment was due, the Anglo-German financiers were
forced to compete with the Russians and French, both groups strongly
urging their claims to consideration on the Chinese government. The
former were successful, although offering less advantageous terms, because
of the strong pressure brought to bear on China from the British legation.
No government guarantee, however, was involved in the Anglo-German
loans, which must be considered as more nearly financial in their ends
than the Russo-French loan. It was, nevertheless, the desire to combat the
Russian influence which caused the British government to insist that her
financiers should have the privilege of helping China out of the difficulties
created by the war with Japan. It has already been seen that both groups
reaped an abundant reward for their benevolence when it came to the
scramble for economic privileges in the Empire during and after 1898.

The next great public debt fastened on China resulted from the failure
of the Boxer movement, the indemnity imposed amounting to 450,000,000

* Also secured by the Maritime Customs and certain provincial likin. They had, however,
made earlier loans for war-financing purposes.
taels. The security taken for this charge was: the unpledged balance of the Maritime Customs, increased by the raising of the tariff charges to an effective five per cent; the revenues from the native customs administered in the open ports by the Maritime Customs service; and the revenues from the Salt Gabelle. The Maritime Customs were taken as security for these early debts primarily because it was a service efficiently organized and administered under foreign supervision.

It was not until 1911 that China was again forced to borrow for governmental purposes. But with the (uncompleted) currency loan of that year and the reorganization loan of 1913, following the revolution of 1911, she began increasingly to seek funds abroad for general administrative purposes. Consideration of these loans, however, will be postponed for the present, since they fall within the second period, that of international cooperation.

While governmental loans were important, the principal field for foreign finance lay in securing and utilizing railway concessions. It was through railway construction that the Powers hoped effectively to penetrate and develop the areas claimed as spheres of interest, and it is in the control provisions of the various loan agreements that the policy and intention of the several European states is most clearly revealed. So far as the primary interest of a state was purely financial and economic, the control provisions in its railway contracts were designed merely to afford ample security to the bondholders. Where, on the other hand, the interest was partly or wholly political, more extensive control was demanded. These control provisions, whether of the one sort or the other, were five in number. They involved: 1) supervision of construction of the road; 2) a national priority in the purchase of materials; 3) audit, or other supervision of expenditure; 4) actual operation of the road during the life of the loan; and 5) administration of the railway zone and police rights therein. In some cases the roads themselves were pledged as security for the loan, whether with or without the above-mentioned control provisions. In other cases the loan was secured by a general Imperial government guarantee, and by the pledging of certain revenues for the repayment of the loan together with the interest on it.

As examples of roads which provided for control of operation for strategical or other political purposes, may be mentioned the Russian and Japanese lines in Manchuria, the German Tsingtao-Tsinanfu line in Shantung province, and the French system in Yunnan and Kwangsi provinces. The several loan agreements for these systems contain all five of the provisions described above. They were contracted, and for some years operated, under the supervision of the foreign governments concerned rather than by the government of China. The nature of the transaction in each case warrants the conclusion that the foreign government was interested in the loan for its own purposes rather than on behalf of national finance. In other words,
the loans were not made primarily as good investments, nor were the roads constructed for the sake of the advantage derived from the sale of materials to be used in building them or because of the profits that would be made out of their operation. In some cases it was apparent that the roads would not be immediately or even for a long time profitable, and the railway tariffs were not fixed with a view to profit but were established for political reasons. Furthermore, the above-mentioned governments, in addition to specific concessions, sought continually to secure a general monopoly of construction in their respective spheres, with a view to determining the course of development of those areas. In consequence of this China was for some years greatly handicapped in the development of her communications along national lines.

As examples of roads the control provisions concerning which, although extensive, were designed primarily to afford security to the investor, may be mentioned the Peking-Mukden, the Shanghai-Nanking, and the Peking-Hankow railways. In each of these cases the security for the loan was the railway properties, which, upon default, might be taken over and administered in the interest of the bondholders. They differed from the French, Russian, and Japanese lines chiefly in that the construction and supervision of the operation of the roads lay in the hands of corporations which were not under the direct control of foreign governments and which were not in a position, under their agreements, to shape the policies of the railways along non-commercial lines. The roads themselves were the properties of the Chinese government rather than of foreign governments.

The groundwork for the construction of these railways was laid in the years from 1898 to 1900, and the concessions obtained were, on the whole, in the respective spheres of interest of the Powers. Consequently they served to emphasize the division of China into spheres. Each Power sought to strengthen itself in its sphere by keeping out the others, either by direct agreement, or by pressure exerted at Peking to prevent the granting of concessions to nationals of other states. We have already referred to the agreements reached between Great Britain, on the one hand, and France, Russia, and Germany, on the other, providing for a mutual respect for each other's priority of interest in a specified region. These agreements were, on the whole, lived up to by both England and Germany. Russia, however, as has been indicated, tried indirectly to force her way into the British sphere by utilizing Belgian capital, and France tried to project her influence northwards into the Yangtse provinces.

American interests secured only one concession for the construction of part of the rail system of China during this early period, and this one American capitalists failed to utilize. An Anglo-American syndicate, headed

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* This was true of the French, Russian, and Japanese systems.
* Supra, pp. 151-153.
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by Senator Brice, sought in competition with the Belgian interests for the right to construct the road from Peking to Hankow. When China granted the concession to the Belgian interests she compensated the Americans by a concession for the line south from Hankow to Canton. In this way it was hoped to introduce a disinterested influence into the construction of her main north-and-south artery. But, although the concession agreement provided specifically that control in the enterprise should not be allowed to pass from American hands, Belgian interests did gain control through purchases in the open market, and in 1903 the concession was cancelled, although control had been regained through the activity of J. P. Morgan and Company.

After this failure American interest next manifested itself in Manchuria, which, even after the Russo-Japanese War, continued to be the international storm center.

At the conclusion of the war with Russia the statesmen of Japan were undecided as to their future policy in Manchuria. When Mr. Harriman, the American railroad magnate, approached the Japanese government with a proposal to lease the South Manchurian and operate it as part of a projected round-the-world system, a preliminary understanding was reached which was embodied in the Ito-Harriman agreement. But when Count Komura, the chief Japanese plenipotentiary, returned from Portsmouth, he strongly opposed any Japanese withdrawal from Manchuria. As a result of the opposition which developed, the agreement was not carried into effect, the cancellation being put on the ground that the road did not become the property of Japan until after China's consent to the transfer from Russia had been obtained.

Then Japan embarked on a systematic development of her newly acquired holdings. First of all, she undertook negotiations with the Chinese government to secure its acquiescence in the transference of the Russian rights and interests to Japan. This agreement was embodied in the Komura (Peking) treaty of December 22, 1905. But in the unpublished minutes of the Peking Conference it was recorded that China should grant no concessions to foreign capital for construction of railways paralleling or competitive with the South Manchurian. As it was later interpreted and used, this alleged secret agreement denied the right of foreign (non-Japanese) capital to enter South Manchuria for the purpose of financing railway construction, giving Japan a virtual monopoly there. In addition to this the Japanese used their control of rail communications to advance their business interests at the expense of other foreigners doing business in Manchuria. The commercial port, Dairen, was for some time closed to all but Japanese goods and vessels. From Dairen the goods were carried on the Japanese-controlled railway to points in the interior, although the railway was supposedly being used at the time only for the evacuation of troops.
and for other military purposes. In this way Japan attempted to establish a market for her goods before admitting her foreign competitors. Furthermore, rebates on the railroad were given to Japanese goods; the Japanese demanded exemption from the operation of the Chinese consumption taxes; and, in general, they indulged in many of the practices which they had objected to and protested against in the Russian action in Manchuria prior to the war and in the German action in Shantung, on the ground that such practices constituted a violation of the doctrine of the Open Door. From the administrative side Japan balanced an efficient administration by continued encroachments on and offenses against the Chinese position outside of the railway zone, and in the zone she made herself supreme so far as China was concerned.

Japan's use of her position and rights in Manchuria made some of the Chinese officials desirous of introducing non-Japanese capital north of the Great Wall in order to emphasize the fact of Chinese sovereignty. Consequently in 1907 an agreement was reached between the Manchurian Viceroy and Mr. Willard Straight, the American Consul-General at Mukden, for the financing of a Manchurian Bank with American capital. This bank was to serve as the fiscal agent of the Manchurian government, and was to participate in financing railway construction. The panic of 1907 in the United States, however, prevented even consideration of this project. Later in the year British capitalists were interested in, and secured a concession for, the construction of a railway from Hsinmintun to Fakumen. Japanese opposition to this concession developed immediately, based on its violation of the terms of the annexes to the Komura treaty. The British legation was unwilling to support its nationals in ventures north of the Great Wall in the face of Japanese opposition, and the project was not carried through. In 1908, however, negotiations were begun again between the Chinese government and Anglo-American financiers for the financing of a line from Chinchow to Aigun. This concession was pushed by the American government after the election of Taft to the presidency, and after the admission of American bankers to the Hukuang railway project had been secured. The Chinchow-Aigun agreement was secretly ratified by the Imperial Government of China on January 20, 1910.

6. THE KNOX NEUTRALIZATION PROPOSALS

Before securing the Imperial ratification of this concession-agreement the State Department made a move looking toward the clarification of the whole situation in Manchuria, when Secretary Knox made his famous proposal for the neutralization of the railroads in Manchuria. These proposals, it was felt, were justified for two reasons. In the first place, the Chinchow-Aigun concession, which had been initialed October 4, 1909, had given
American interests a tangible basis in Manchuria, so that the United States was not coming forward entirely as a disinterested outsider. She had something to give up in return for concessions from the other interested Powers. This was the real justification for pushing the Chinchow-Aigun negotiations. In the second place, Mr. Harriman had revived his round-the-world transportation project in 1909, just before his death, because of an intimation from Russia that the Czar’s government would be willing to consider the lease or sale of the Chinese Eastern Railway. It was well known, on the other hand, that the Japanese government was in considerable financial straits, and it was felt that Japan might be willing to dispose of her South Manchurian holdings if Japanese interests were not thereby sacrificed. Consequently the Knox proposals were not so ill-advised as has sometimes been represented.

The methods employed to secure assent to them were, on the other hand, open to severe criticism. In the first place, the intimation from Russia should have been followed up and a promise to sell the Chinese Eastern secured. This would have made it possible to bring a more effective pressure to bear on Japan to induce her to internationalize the control of the South Manchurian. It might also have prevented Russia from opposing the American policy because of the offense to her pride due to the fact that it was apparently assumed that she would assent to a policy which had Anglo-American support. It would have been more expedient to have approached England only after negotiations had been instituted with Russia and then with Japan. In any case, when England did not respond warmly to the American proposals, other support should have been sought before proceeding further, except as it may be assumed that the American government was more interested in focusing attention on the real Manchurian aims and intentions of the Powers than in successfully carrying out its own plans.

Briefly, the proposal was that an international syndicate should be formed to make a large loan to China so that she might buy out the Russian and Japanese interests, and that the Manchurian railways should be neutralized and internationally administered during the period of the loan. In sounding out the British attitude toward the proposal Secretary Knox suggested that if the British government was not willing to support the larger project, it might at least join the United States in supporting diplomatically the Chinchow-Aigun scheme, in the development of which other Powers might be given a share.

The British reply was disappointing in that it intimated that the British government felt that the time was inopportune for the making of such far-reaching proposals, and in that it suggested that the Japanese be invited to participate in the Chinchow-Aigun concession because of their peculiar interest in Manchuria. Thus instead of supporting the American position

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10 Until after all details of the Hukuang loan had been settled.
that Manchuria was a proper field for the activities of non-Japanese finance, the British government accepted the Japanese contention that South Manchuria was an exclusive Japanese preserve so far as investment rights and railroad development were concerned.

The Japanese and Russian governments finally gave a categorical refusal to consider the American proposals, the wording of their answers being so similar as to indicate a prior agreement. It is interesting to note that the refusal of both countries was put, in part, on political and strategical grounds, indicating that the two governments construed their interests in Manchuria to be political and not purely commercial and financial. In opposing the Chinchow-Aigun concession both Japan and Russia produced secret agreements with the Chinese government by which it agreed not to undertake railway developments in Manchuria without first consulting Russia if north Manchuria was affected, or Japan if the projects involved the territory south of Changchun. In the face of the open Russian opposition and the Japanese expression of a willingness to participate on entirely unacceptable terms, the Chinchow-Aigun concession was allowed to lapse.

The total effect of the Knox activity is summarized by Mr. Millard in the following terms: 11 1) The right of China to decide upon the course of railway development within her territory was denied by foreign nations. 2) Certain foreign nations declared that their strategical and political interests must be considered as paramount in planning a railway system within China’s territory. 3) Certain foreign nations asserted the right to decide who would finance, construct, and operate railways within China’s territory and to veto arrangements in regard to these matters which China wishes to carry out. To these may be added two other effects; 1) Great Britain reversed her policy, returning to the sphere of interest conception and partially repudiating the principle of the Open Door, of equal opportunity in its enlarged conception. 2) Japan and Russia drew together in defense of their exclusive and preferential interests in the Manchurian provinces. In 1907 they had entered into a political convention in which each agreed to respect the Manchurian rights of the other so far as they were not inconsistent with the principle of equal opportunity, and they recognized in general the independence and territorial integrity of China and the Open Door principle and agreed to sustain and defend them. But in 1910 Russia and Japan entered into both a public and a secret convention defining their respective spheres in Manchuria, agreeing not to interfere with each other in developing their positions within their spheres, and stipulating for concerted action in case their special interests in Manchuria were threatened. The 1910 conventions contain no acceptance of the principle either of equal opportunity or of the integrity of China.

11 Millard, Our Eastern Question, p. 25.
7. INTERNATIONAL COÖPERATION IN FINANCE

In a sense this Knox proposal for the neutralization of the Manchurian railways was but a part of a general movement toward financial coöperation in China. The British objection to a discussion of the internationalizing of the Manchurian lines rested partly on the fact that the Powers were then engaged in working out arrangements for coöperating in the building of railways in western and southern China. Finance was rapidly finding out the difficulties of competition for concessions, and governments apparently were beginning to realize that there was room for all in the financing of the great trunk lines of China. They were coming to perceive that competition had the effect of playing into the hands of China by securing her more favorable terms in the making of loans than could otherwise have been obtained.

Thus when a road was projected from Tientsin to the Yangtse River, England and Germany competed for the right to finance it. Both nations had a claim to participation, because the road penetrated their respective spheres of interest. The Germans proved agreeable to the granting of more favorable terms to China than the British (who insisted on the usual financial control provisions), but British diplomacy was stronger at Peking than that of Germany. Furthermore, the hands of both parties were tied by their agreement to respect each other's spheres. Finally, since both recognized the desirability of constructing the road, an agreement with the Chinese government was signed January 13, 1908, by which they shared in the undertaking. The Germans gained the right to construct the section from Tientsin to the southern border of Shantung province, while the British were to complete the road to its juncture, at Pukow, with the (British) Shanghai-Nanking railway. The competition, however, had resulted in China's securing the elimination of many of the usual control provisions. The road itself was not made the security for the loan, certain provincial revenues being pledged as the security. Consequently the road would not have to be administered in the interest of the bondholders. In fact, the construction and operation of the road was to be in the hands of China herself, although she agreed to appoint British and German engineers for their respective sections. Furthermore, there was no provision made for supervision of expenditure of the loan funds.

Tientsin-Pukow terms came to be synonymous with terms favorable to China for railway loans. Many foreigners, however, were skeptical as to the advisability of this weakening of the control provisions of the loan, and were particularly dubious about eliminating the right to supervise expenditure. And it must be admitted that this skepticism was somewhat justified by the event. It proved to be necessary to float a supplementary
loan to complete the road, owing to the high cost of construction under Chinese control, for there was much squandering of funds.

For some years prior to 1908 there had been intermittently discussed the project of constructing a road south from Hankow to Canton, and westwards from Hankow into the great province of Szechuan. These discussions were renewed in 1908–1909, primarily in order to reach an agreement as to the measure of control which should be insisted upon, in the light of the Tientsin-Pukow experience, in the making of future loans. France and England, and, still earlier, the United States and England, had been interested in these two roads. In 1908 Germany also turned her attention toward them, and it was as a result of her activity that British, French, and German financiers and government officials undertook conversations in the hope of finding a basis for cooperation in the undertaking by reconciling their respective claims. Just when they had reached an agreement among themselves and with Chang Chih-tung, the Viceroy in charge of railway affairs in the area involved, the American government interfered in the interest of American finance. When diplomatic action at Peking failed to achieve any results, President Taft took the unusual step of cableing the Regent, requesting that Americans be admitted to participation. The basis for this request was the old concession of 1898–1903. After the intervention of President Taft, an American group was allowed to participate and the Four Powers Banking Group came into being. In order to show its real desire to extend the operation of the cooperative principle the American government at this time invited the other three Powers to join it in making a loan for currency reform in China, a project in which the United States had been given an exclusive interest. However, work on the railway project and the issuance of the currency loan were both retarded by the revolutionary developments of the year 1911 and thereafter.

8. EFFECTS OF REVOLUTION AND EUROPEAN WAR

The revolution brought with it new financial problems for the Chinese government, and as a result it began to look to foreign sources for funds for general administrative purposes. On account of its immediately pressing needs and because of the large sums ultimately required, the Chinese government turned to the international syndicate for advances. It also began to negotiate with the syndicate for a comprehensive loan to be devoted to reorganization and reconstruction purposes, giving the syndicate, in return for its advances for immediate needs, an option on the comprehensive loan. When the new Republican government began to negotiate for this loan it found that the syndicate (extended to include Japan and Russia because of the political character of the loan contemplated) insisted on adequate provision for control of the revenues to be pledged as security.
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In consequence the government tried to secure the necessary funds outside of the Six Power Group, but was unable to do so as the several national groups had the exclusive support of their respective governments. Finally, in 1913, agreement was reached on the Salt Gabelle as the security for the loan, and provision was made for its reorganization under foreign supervision.

The outbreak of war in Europe in 1914 interfered with an extension of the financial operations of the first consortium. The American group had withdrawn from participation in the reorganization loan because the State Department under the direction of President Wilson refused to pledge its support to the members of the group, taking the stand that "the conditions of the loan seem to us to touch very nearly the administrative independence of China itself, and this Administration does not feel that it ought, even by implication, to be a party to these conditions." 12 After the outbreak of war German interests became inactive. And finally consortium advances on the loan came almost entirely from Japan. Additional loans for governmental purposes, as they became necessary, were also made by Japanese agencies acting independently, and, on a small scale, by American interests. Thus group action gave way to separate action until the revival and reorganization of the consortium at Paris, this time as the result of American initiative. 13

The same reversion appeared in the railroad field. Contracts made after 1912 provided for the construction of over six thousand miles of road with foreign funds. A little less than a third of this mileage was granted to British financial institutions, the terms providing, among other conditions, for the employment of a British engineer-in-chief, chief accountant, and traffic manager, and for the pledging of the road as security for the loan. The Russians and Japanese 14 extended their railway interests in Manchuria, north and south, on the usual terms. The German contracts in Shantung for the Kaomi-Yihsien and Tsinan-Shuntefu roads (1913) were transferred to Japan and later by her to the second consortium. The French were awarded concessions of almost two thousand miles carrying them northwards through Szechuan, Shansi, and Shensi provinces to an ultimate connection with the Peking-Kalgan road. Except for the, northwestern extension of French interests, all of these concessions fell within the claimed spheres of interest of the respective Powers. When an American concern, the Siems-Carey Company, secured contracts for fifteen hundred miles of construction in 1916, it found the old sphere conception fully revived.

13 It seems advisable to postpone further discussion of the financial problem in China after the Revolution to succeeding chapters, since it can be most easily followed in connection with the discussion of the evolution of the political system after 1911.
14 Japanese interests are more fully discussed in chapter XVI.
This made it a problem for the Chinese government to mark out the lines for American construction so as to meet the objections raised by the several interested Powers.

Due to the war-time and post-war financial conditions, little was done until after 1930 toward completing these lines. The contracts served principally as barriers to the undertaking of work by others than the concessionaires, and to that extent hindered rather than helped the development of an adequate system of rail communications in China. By 1925 there was upwards of seven thousand miles of line in operation. This must be considered a good total in view of the general obstacles to construction, and it must, on the whole, be recognized that China was materially benefited by the enlargement and improvement of her means of communication in spite of the introduction of foreign influence with the many problems and dangers presented by it. The dangers have been pointed out, and some of the problems may be stated very briefly. The conditions under which loans were granted were so different, and the provisions for the supervision of construction so varied, that a non-uniform gauge resulted. Some of the roads had the standard gauge, the Russian roads used the five-foot gauge, and the French roads the meter gauge. This prevented a satisfactory utilization of rolling stock and stood in the way of the administration of the roads as a unit. Then there was the very serious problem presented by the variety of administrations, with the Chinese Ministry of Communications unable to control all of the roads effectively. These and other administrative problems arising out of the conditions of financing and constructing the Chinese system were attacked and partially solved by the institution of "conferences," which sought to work out co-operatively a uniform system of operation. Representatives of the non-government as well as the government lines participated in these conferences. In spite of the handicaps presented by the political disorganization of the years 1916-1926, and the interference of the military with the normal operation of the railways, their financial condition steadily improved with their more extensive use.

So far as equipment and general maintenance were concerned, however, military interference and internal turmoil resulted in deterioration, which naturally affected the foreign investment. They also resulted during this period in the suspension of payment of both interest and principal on a number of the loan accounts.

9. CHINA'S ATTITUDE TOWARD AND INTEREST IN RAILWAY CONSTRUCTION

Before concluding this discussion of financial imperialism in China it is proper to consider the general effect of the activities of the Powers on Chinese opinion. First of all, we must remember that China was totally unable initially to finance the construction of railways, the opening of
mines, and the general industrial and political reorganization of the country. This fact necessarily modified the Chinese attitude from time to time as it was brought home to the educated classes. With this modification in mind, however, it may be said that the attitude of the Chinese people was determined by their fear of foreign financial control of their country.

During the years immediately after the war with Japan the Chinese little realized the significance of the process of economic penetration which was being provided for by the agreements entered into from 1896 to 1900. The use made of the Manchurian railway by the Russians, however, wakened many of the officials to the danger to the state inhering in the foreign-controlled railway. Consequently there came a period when the Chinese were unwilling to accept foreign loans. The concentration of attention on the developing conflict between Japan and Russia over Korea and Manchuria also led to the cessation of loans.

After the Russo-Japanese War the Chinese wakened still more fully to the gravity of the situation. The war promoted the movement toward internal reform, one phase of which was the attempt to develop a national system of communications. Immediately before and after the conflict in Manchuria the attempt was made to construct provincial railways out of locally subscribed funds. This, in the long run, would have had the effect of retarding the unification of the country, and the more capable of the Imperial officials soon perceived this fact. The perception of the possibility and the necessity for unification of the country by means of the construction of railways under the control and direction of Peking led to the elaboration of a program of railway nationalization. The consortium program of the Powers fitted in perfectly with this policy as it provided Peking with the necessary funds for the construction of the great trunk lines, from which feeders could be thrown out gradually as opportunity offered.

Provincial opinion, however, had to be considered, and the gentry in the provinces were afraid of the gradual development of an international control of China through control of a centralized system of communications. Furthermore, the provinces had to be considered so far as they had invested in local railway undertakings. Their natural tendency, too, was to fight centralization unless they stood to profit by it. It was from this direction that part of the opposition which was connected with the revolutionary movement of 1911, such as the insurrection in Szechuan province, came.

Fear of foreign financial control, the natural centrifugal tendency in the country, and the interest of the gentry in securing favorable terms for themselves in giving up to the central government their provincial railway investments—all conspired to make more difficult of execution the policy of centralization determined upon in 1907–1909.
REFERENCES FOR FURTHER STUDY