HOKKAIDO UNIVERSITY

Title	The Trade Development of Tsingtao under Japanese Management 1914-1922
Author(s)	BAUER, Wolfgang
Citation	ECONOMIC JOURNAL OF HOKKAIDO UNIVERSITY, 23, 161-188
Issue Date	1994
Doc URL	https://hdl.handle.net/2115/30517
Type	departmental bulletin paper
File Information	23_P161-188.pdf

Hokkaido University Collection of Scholarly and Academic Papers : HUSCAP

Econ. J. of Hokkaido Univ.,
Vol. 23 (1994), pp. 151~160.

The Trade Development of Tsingtao under Japanese Management 1914-1922

Wolfgang BAUER

The main purpose of the paper is to describe Tsingtao's economic development under Japanese control between 1914 and 1922. With the European powers involved in the First Wold War, Japan had the opportunity to greatly increase its political and economic influence in China. One part of Japan's China policy was therefore to occupy the former German leased territory of Tsingtao and to develop the port subsequently in a Japanese dominated sphere of interest. At the Versailles conference Japan inherited the former German lease rights and kept the lease until 1922 when it was given back to China as a result of the Washington conference.

Japan was successful in implementing its economic aims in Tsingtao using military strength when necessary. Trade, industrialization and the exploitation of natural resources reached levels never attained before despite some inner-Chinese political strife and strong anti-Japanese movements.

1. Introduction

This essay aims to describe a small part of Japanese-Chinese economic and historical relations during and after the First World War.

The subject is the trade development of Tsingtao in Northern China from 1914 to 1922, thus encompassing the time of Japanese military occupation from 1914 to 1919 after the capture of the former German colony; furthermore the three years from 1919 to 1922, during which Tsingtao (or the Kiaochow lease) was transferred with all legal titles to Japan as a consequence of the Versailles treaty; and finally the return to China after the Washington conference. Japanese-Chinese relations since 1894-95 were mainly characterized by military confrontation and a growing interconnected economic relationship, whereby Japan dominated both areas and was able to force its will on China. The cornerstone for this development was the Japanese-Chinese war, gaining not only large reparations for Japan, but also the cession of Taiwan, the lease of the Liaotung Peninsula and, shortly after, the unequal treaties. Military success brought economic gains: "Japanese exports to China doubled after the war of 1894-95, tripled after the Russso-Japanese war, and quadruppled during the European war. And Japan's share in Chinese imports increased from less than 3 percent before

Table 1. Japan's Export to and Import from China by Areas
(% are percentages of Japan's China Trade)

	Manchuria				North China				Central China			
	Export	%	Import	%	Export	%	Import	%	Export	%	Import	%
1906	26287030	22.30	12761062	22.30	32184547	27.0	7806799	14.0	58515301	50.0	30615799	53.0
1907	4601246	5.37	9842262	16.60	22836726	26.0	6396124	11.0	56319953	65.0	39269719	66.0
1908	5060271	8.36	13040006	22.00	16679984	26.0	5843799	11.0	36287336	60.0	28983876	57.0
1909	6218769	8.50	9286754	19.80	18896450	26.0	7100491	15.0	46045286	63.0	26701435	57.0
1910	9376362	10.40	9994570	14.50	22189983	25.0	7970501	12.0	55707392	62.0	48040061	70.0
1911	8880881	10.00	14256386	22.90	24138624	27.0	11863260	19.0	51628761	59.0	33217085	54.0
1912	7802595	6.79	11521279	21.02	33429973	29.0	9998907	18.0	70090067	61.0	28731161	59.0
1913	9397098	6.07	14635641	23.90	46699412	30.0	10320656	17.0	95026760	61.0	10320606	53.0
1914	16855394	10.38	14477327	25.40	48482563	30.0	12077797	20.0	92231782	57.0	28168104	48.0
1915	16332514	11.57	17145226	19.97	48361773	34.0	21845278	25.0	72469795	51.0	41414403	48.0
1916	26169720	13.57	16161838	14.87	63096266	33.0	30711376	28.0	98739153	51.0	51889595	48.0
1917	49300183	15.48	21179090	15.89	92868681	29.0	30571664	23.0	169554895	53.0	73727473	55.0
1918	44703082	12.44	30653772	10.88	103669881	29.0	63493941	23.0	201529641	56.0	174547359	62.0
1919	67884000	14.51	51123000	15.87	143634000	32.0	91508000	28.0	226094000	51.0	16857000	52.0
1920	55933000	13.63	23720000	10.87	121749000	30.0	73346000	37.0	223184000	54.0	109621000	50.0

Compiled from: Japanese Finance Ministry, Yearly Trade Statistics, 1906-1920

the Chinese-Japanese war to more than 10 percent after the Russo-Japanese war and to around 30 percent during the First World War".(1)

With the outbreak of World War I, Japan, not having to fear any kind of interference such as the Triple Intervention of 1895, was able to excert all of its "hard" power(2)-on one side against the weak military German forces in Tsingtao, eliminating the German sphere of interest and German competition in the north of China; on the other side, against China, culminating in the military occupation of Tsingtao and the Shantung peninsula, its turning into a Japanese economic shpere of influence and the Twenty-One Demands of 1915.

As already mentioned Japan's trade with China—and since 1906 its trade with Manchuria—grew tremendously. However if one looks at a breakdown by areas (see Table 1) some important general trends become apparent: whereas trade, both exports and imports, with Manchuria shrank approximately 50 percent until 1920, trade with Central China remained nearly unchanged, while trade with Northern China—including Tsingtao—increased. Even though exports to Northern China grew only modestly, imports from this area more than doubled, raising Northern China's share of Japan's total imports from China from 14 to 37 percent.(3) This development of Northern China's trade with Japan is also reflected on a smaller scale in the trade of Tsingtao with Japan, as will be shown in more detail afterwards.(4) First, I would like to give a short description of the development of the Kiaochow lease under German administration.

2. Tsingtao as a German Lease

Under the pretext of the murder of two German priests on November, 1st, 1897, Kaiser Wilhelm used the "splendid opportunity" to order the East Asian Sqadron under Admiral Diedrichs to occupy the Bay of Kiaochow where the small town of Tsingtao was located.[5] Ernst v. Hesse-Wartegg describes his first impression of the town in March 1898, as follows: "Tsingtao is a small Chinese village, stretched out on the Southern tip of the [Kiaochow] bay near the Yellow Sea...Walking along the narrow main street to the Yamen of the Governor, I saw only small Chinese huts with tiny paper windows. Branching off from this road there was a second road to the right, being for the present the settlement for the Europeans. But this street also only showed longstretched, flat Chinese-type houses with stonewalls, paper windows and straw roofs. But the fresh paint and the newly installed housedoors and especially the enormous cleanliness showed at once that there could not possibly be Chinese living there".[6] One indicator of Tsingtao's rapidly growing economic attraction was the population increase since 1898. During the first two years, the population grew by about 4000 Chinese,[7] reaching a total of 35,000 inhabitants in 1907 (of which there were 31,000 Chinese), and 55,700 in 1913 (about 53,000 Chinese). The population of the nearby hinterland grew correspondingly from about 80,000 at the end of the 19th century to about 135,000 by the last year of the German presence.[8]

The convention concerning the lease of Kiaochow bay to Germany, concluded on March, 6th, 1898, stated that the lease would be in effect for 99 years and included special concessions for building the Shantung Railway in the form of a Sino-German corporation and for mining in Shantung within 30 Li (=10 miles) of the roadbed.[9]

It is possible to divide the following 15 years under German naval rule in roughly two parts: the first half is marked by a struggle between China and Germany for political and economic influence in Shantung with the result that "Germany would never achieve the goals it had originally sought in Shantung, and indeed, during these years, the province ceased to be a German sphere of influence".[10] The most important reasons were growing Chinese nationalism and international pressure; for the latter being one example the Yangtze-Valley agreement between England and Germany aiming to maintain an open door all over China.[11] A self-conscious Chinese administration and the effective protection of the railway helped to diminish the necessity of German military presence in the neutral zone surrounding Tsingtao, and since 1906, the whole railwayline as far as Tsinan was controlled only by Chinese policemen and officers.[12]

Another important change in the status of the leasehold occurred in 1906 when, after long negotiations, the German side had to give in to Chinese pressure

and return the harbour customs office to the control of the Imperial Chinese Customs Department. This transformed Tsingtao from a free zone into a treaty port, with 20% of the customs received to be payable to the naval administration. According to this agreement, articles for public consumption as well as capital equipment for industry in Tsingtao were exempt from duty—and any item made in Tsingtao from products brought from the interior was, upon export, subject only to the duty on the raw materials. In addition, the duties on imported raw materials would be refunded if the finished product went out by sea. When an article manufactured in Tsingtao entered another Chinese port, it was subject to full import duty.[13]

The period up to 1906 was characterized economical by the building of the necessary infrastructure in order to exploit the mining concessions Germany had gained from China and to develop Shantung as a market, mainly by building the harbour and the railway, both finished 1904.[14]

Exports and imports had already increased by 1904 but yet rose to new levels thereafter, as can be seen from the following table:

Table 2. Total of Imports and Exports from 1901 to 1914
(in mil. Haekuan Taels)

	Imports	Export	Total
1901	5.99	2.76	8.75
1902	8.09	2.26	10.37
1903	11.29	3.32	14.61
1904	12.62	6.24	18.88
1905	15.12	7.22	22.35
1906	22.24	8.46	30.72
1907	20.41	8.49	28.89
1908	20.04	12.02	32.08
1909	25.51	14.73	40.25
1910	26.57	17.16	43.75
1911	26.96	19.84	46.82
1912	31.32	25.01	56.33
1913	34.74	25.68	60.44
1914	22.34	16.59	38.94

(Chinese Imperial Maritime Customs, Annual Trade Returns, 1901-1914; the numbers for 1914 are from January to August only)

Industrial activities grew as well, the main investments being a large shipyard (owned by the navy) and mining by the Shantung Bergbau Gesellschaft (privately owned).[15]

Although coal production increased sharply, from roughly 180,000 tons to 613,000 tons, the mining company was dependent on government subsidies in order to sell its coal cheap enough in Tsingtao-this was due to the high cost of transportation. Another large private investment, the Sino-German Silk Produc-

tion Company, failed, and operations were suspended in 1909 primarily due to high production costs.[17] The most successful German company was the Anglo-German Brewery Company, which expanded its facilities steadily and paid a high dividend.[18]

Even though German industrialists in general failed to establish themselves in Tsingtao, commerce grew. One reason —as the Manchester Guardian notes in comparison to English businesses —was their business methods: "The method of Germans doing business is an important factor in their success. In addition to their readiness to study the taste of consumers and the exercise of strict economy, the German merchants used more individual efforts in securing the assistance of men of meager means among the native agents to whom they taught the meaning of push and enterprise. They created demand by pushing forward their supplies".[19] "They penetrated into the interior to increase the purchasing ability of the Chinese by collecting the native produce. Then followed Japanese competition. So the ante-bellum commercial situation in China was a three-sided conflict between Germany, Great Britain and Japan in the field".[20]

By 1907, Tsingtao was the seventh most important harbour in China, whereby Japanese goods accounted for about 50-55% of the imports, English for about 20-25%, American for 15% and the rest of the imports being mainly German with a decreasing tendency over the years.[21]

For exports before the First World War, the main countries were, in order, France, England, Japan, Russia and Germany.[22]

Concerning trade with the interior of Shantung, "Chinese merchants virtually monopolized the trade with the interior", as Schrecker writes.[23] Many of the Chinese firms had branches in Chefoo and were engaged in the junk trade on the Chinese coast. Chinese merchants built a guild house in Tsingtao and, in 1909, their own Chamber of Commerce. As the German Navy administration pointed out, "all experience of European trade in East Asia shows that the development of a place on the China coast is fundamentally dependent on the participation of the native merchant community...Therefore, as the Navy has always said, the development of a lively and wealthy Chinese merchant group at Tsingtao will be of clear benefit to German business as well".[24] The basic commercial attitude of the Navy was already expressed in a list of requirements for the future naval base issued by the then Secretary of State of the Naval Ministry, Hollmann, in 1895[25]:

"When there is peace and order abroad, the advantage of a base is basically in the economic sphere. Its position raises the political power and prestige of the owner....The stations must be located on the principal trade routes and must have already attained some commercial importance; dead places which have no capability for development have no value". That Kiaochow-bay came to be

known as an ideal spot for these requirements was a result of Ferdinand von Richthofens extensive travells in China at the end of the 1860's and early 1870's. Von Richthofen emphasized that he was "searching for a spot which not only could serve as a naval base but which also could become an important trading center".(26)

The attitude described above—in particular to allow the Chinese merchant class to participate as much as possible and to emphasize the commercial value over the military value—contrasts sharply with the Japanese attitude from the end of 1914 until about 1917, as will be described later.

Although trade until 1907 had been mostly in the hands of Germans and Chinese, Tsingtao became increasingly open to all nationalities. Characterizing this trend was the factor that all major trading countries established their consulates in Tsingtao.(27)

The growing trade made it necessary to overhaul the monetary system of the port and the navy granted a concession to the Deutsch-Asiatische Bank for issuing Mexican dollar bank notes (the dominant currency in the Chinese treaty ports) in order to satisfy the monetary needs of the larger business activity.(28) The Mexican dollar was readily accepted in larger business transactions throughout Shantung; moreover there existed Chinese copper coins, yet their exchange rate to the dollar was not fixed and the coins themselves were frequently scarce.(29) On the whole, the goals which were originally established by Tirpitz' Naval Ministry for the development and administration of the leasehold were reached:... "Thus the Ministry was not exclusively concerned with the military development of the lease. Rather it sought a larger goal, to make Kiaochow into a model colony. This meant the navy hoped to develop the new German acquisition into a place which would reflect the navy's competence in all areas of colonial administration, from taxation to education. Most importantly, it meant turning the leasehold into a great commercial port which would enhance German trade as well as become the focal point for economic development in Shantung".(30) This point of view was also shared by Inoue Junnosuke, who became later Minister of Finance, in an article published in 1916: "During the fifteen years of her occupation, Germany wrought wonders in the improvement of Tsingtao. Japan's progress in Kwantung peninsula was nothing in comparison to it".(31)

3. Monopolizing Trade

—Tsingtao under Japanese Occupation and as a Japanese Lease—

3.1. The Difficult First Years 1914-1916

Baron Kato Takaaki, shortly before becoming Foreign Minister in 1914, wrote in an article about Japanese growing influence in China during the last ten

years: "Even in Kiaochow, which is under German jurisdiction, more than 60% of the trade is with Japan....when one considers the degree of expenditure the German government is bestowing on that port, and what an important center of activity it is, the fact of its ever increasing commercial intercourse with Japan is much to be appreciated. It is surely no insignificant matter that we already occupy first place in the trade of Kiaochow".(32)

Thus it is also not too surprising that Japan used the outbreak of World War I to oust Germany from Tsingtao under the pretext of fulfilling her duties acccording to the British-Japanese Alliance, a scenario which had already been expected and feared by German militairs in Tsingtao since 1905.(33) The first position was extended to become a monopoly during the following years. Whereas the main export countries before the outbreak of World War were (in order) France, Russia, Germany, Japan and America, trade with Germany, France, Belgium the Netherlands, Italy and Austria had ceased to exist thereafter.(34) This can be looked upon as a "natural" cause of events due to the European War. However-particularly during 1915 when the Tsingtao customs office was in Japanese hands-artificial barriers were errected to keep competition at a distance as well: all incoming ships were asked each time for a special allowance, the procedure taking time and costing money.(35) Another barrier hampering sea and land trade was Military Ordinance No.56, requiring all foreigners (including Chinese living in Tsingtao!) entering the occupied territory to carry with them their passport visa, or a certificate issued by a Japanese Consul, which had to be renewed every time upon leaving or entering Tsingtao.(36)

Thus the number of ships calling at Tsingtao between 1912 and 1919 as the most important mean for foreign trade developed as follows.(37):

Table 3. Number of Ships (inwards and outwards) calling at Tsingtao Harbor by Nationality and Percentages of Total Number

	1912		1915		1916		1917		1918		1919	
	Number of Ships	%	Number of Ships	%	Number of Ships	%	Number of Ships	%	Number of Ships	%	Number of Ships	%
American	2	0.1	1	0.5	4	0.6	12	1.6	27	3.1	28	2.3
British	225	35.3	27	13.3	56	8.6	66	8.7	62	7.1	108	8.9
Dutch	1	0.5	0	0	1	0.1	4	0.5	5	0.5	5	0.4
French	2	0.1	0	0	0	0	3	0.4	0	0	0	0
German	248	38.9	0	0	0	0	0	0	0	0	0	0
Japanese	121	19	174	86.1	581	89.5	627	82.9	755	87.2	1022	84.2
Norwegian	24	3.7	0	0	1	0.1	1	0.1	0	0	0	0
Russian	6	0.9	0	0	1	0.1	8	1	5	0.6	12	1
Chinese	8	1.2	0	0	5	0.7	35	4.6	12	1.4	38	3.1
Total	637	100	202	100	649	100	756	100	86	100	1213	100

Source: Imperial Chinese Customs, Annual Trade Reports, 1912, 1915-1919

Possibly the Japanese trade with Tsingtao would have grown much more had there not been a severe shortage of ships and ever increasing freight rates: "The shortage of tonnage and its corollary-unusually high freight rates—were, as everywhere else, the principal factors effecting trade with which merchants had to contend nearly year round. The freight charges in Japanese shipping, which were already high, were raised in September [1917] by 50 to 80 percent, in spite of the strong protests on the part of the merchants in the port".[38] This problem was so pressing that the Japanese government was forced to issue an "Ordinance relating to the Control of Vessels in War Time", but which had only "a certain moderating effect on the freight rates of Japanese ships".[39]

Another stimulating incentive was the payment of subsidies the Japanese government was offering to ship lines in order to provide the necessary supplies to the military garrison in Tsingtao and to help the ship lines to overcome the first two or three years of sluggish transport orders to and from the new lease.[40]

The shipping lines were concentrating more and more on increasing passenger traffic primarily between Kwantung, Manchuria and Kiaochow and between Kiaochow and Japan.[41]

Still the demand of shipping tonnage was advantageous for Japanese ship lines now carrying nearly all freights between Tsingtao and Japan, without having to compete with ship lines of other nationalities. One example of this monopolistic position was the wheat export from Tsingtao by ship. In 1919, the total amount of wheat exported was 1,064,239 piculs; as Mr. Tachibana, the Japanese Commissioner of Customs in Tsingtao wrote, "...the amount of this commodity sent to Japan was over one million piculs".[42]

Even though the wheat was not consumed in Japan it was shipped like groundnut oil, straw braid and bean oil for trans-shipment to western countries.[43]

Before the trade reached such levels there were a number of difficulties to be overcome during the first two or three years of occupation, which hampered the foreign trade and slowed Japanese investments. One point was the estrangement and flight of the Chinese merchant class during 1914-1915, caused by the military operations of the Japanese landing in Lungkow, (about 180 km north of Wei-hsien) on September 2, 1914, until the capitulation of Tsingtao itself and even thereafter. During the advance of the Japanese army, provincial associations accused the Japanese of numerous crimes, including seizure of livestock, destruction of property, pressing men and women into service without pay, occupying private homes and rape and murder, as the Japanese Ambassador in Peking, Hioki Eki, reported to Tokyo.[44]

Fear spread wider still throughout the whole of Shantung as a result of the seizure of the entire railway up to Tsinan and the related extension of military

personnel. Even after restoration of some semblance of order in Tsingtao economic life did not regain momentum very quickly and, as noted in the Imperial Maritime Customs Report: "In August 1915, when I first visited the port, Tsingtao was a dead city. Nearly the only chimney from which smoke could be seen coming from was that of the electric power-station. The Tokorozawa-machi (the old German Kaiser Strasse), Tsingtao's main thoroughfare, was little more than a swamp in the pools of which Chinese women were busily engaged in washing, whilst hard by dilapidated brickkilns added to the desolation of the picture".(45)

There are some reasons for this picture. First it was a consequence of the hostilities in Kiaochow. The harbour facilities had been severly damaged, and the German troops had sunk the big floating dock and several ships in the entrance of the harbour. "Wonderful skill has been shown by the Japanese Naval Authorities in refloating sunken vessels etc. The three steamers...., and two dredgers, which blocked the entrance to the Great Harbour, were refloated between February and July 1915. The great floating dock...was refloated in August".(46)

Thus the harbour had not been accessible for a long time and conditions were not restored to normal until then. The rolling stock and the road bed of the Shantung Railway were both in extremely poor condition owing to flood damages and demolition caused by the retreating Germans. Nearly all bridges along the railway line had been blown up. Thus supply with commodities from the hinterland for export was severely hampered.

The second reason influencing the slow recovery was the seizure of the Chinese Imperial Customs Office, which only re-opened on September 1, 1915, after an agreement was reached between the Japanese Ambassador Hioki and Inspector General F. A. Algen on August, 6, 1915, in Peking.(47) Until then, Japanese customs officers from Osaka served at customs office and cleared many Japanese ships without strict control, thereby supporting the export of goods forbidden under Chinese law, such as copper and wheat.

However, Japanese occupation of the customs was even more disadvantageous for trade with the Chinese coast ports. Many of them, like Chefoo, did not recognize Tsingtao any longer as a legitimate branch of the Imperial Chinese Maritime Customs and dealt with the cargo as if it had come through a Japanese port. This meant that merchants had to pay coastwise and export duties twice-once in Tsingtao and in the other ports.(48)

Thus, for example, the export of peanuts from Tsingtao declined considerably; the peanuts which had been shipped from Tsingtao to ports in South China had to bear a double tax. Consequently, the trade shifted to other ports, such as Tientsin and Shanghai along the Tientsin-Pukow railway".(49)

A third reason for the slow development of trade was that as long as the negotiations over the Twenty-One Demands were unsettled, Japanese as well as Chinese merchants were reluctant to invest in Tsingtao and the political tension between China and Japan had caused practically all Chinese merchants and dealers to leave Tsingtao, leaving most of the Chinese shops closed. As the Kiaochow report mentions: "...big capitalists, both Chinese and foreign, have been reluctant to undertake business on a large scale, partly on account of the European markets being closed and partly on account of their apprehension about the ultimate state of the port".(50)

On the other side, there was a big influx of Japanese into Tsingtao from the end of 1914, yet these, being for the large part adventurers and small business men without necessary capital, could not compensate for the loss of big Chinese merchants.(51) Even the Japanese Military authorities complaint over this influx and passed a regulation on November, 20, 1914, aimed at restricting access to Tsingtao to "respectable" persons which meant associates and employees of Japanese companies. This regulation existed only until December 28, when the press in Japan took up the complaints of disgruntled Japanese. The military authorities were thereafter forced to open the entire province to immigration for all Japanese without discrimination: "The 28th of December was remarkable as a day on and after which Japanese of all classes and every discription poured into the town".(52) That these Japanese were mostly petty-traders can be seen from the following statistics from the Seito Shinpo, April 24, 1915.(53):

Table 4. Number and Types of Licenses granted to Japanese Settlers in Kiaochow

Business	Dec. 1914	March 1915
Hotels & Restaurants	94	263
Restaurants	37	166
Dealers in Misc. Goods	24	79
Dealers in Provisions	17	68
Forwarding Agents	28	100
Importers & Exporters	14	40
Contractors	40	149
Second-hand Shops	10	119
Pawn Shops	8	53
Street Traders	2	352
Outside Salesmen	—	60
Unclassed	250	1196
Total	524	2645

As a result until the end of March 1915, the number of Japanese in Kiaochow had increased to 12,000, up from 500 in 1913. Funakoshi Mitsunojo, Foreign Ministry representative in Tsingtao, complained in a report to the Foreign Ministry: "Although we have been hoping for tour groups from Japan and an

influx of experienced technicians to start preparing the Japanese concession, so far....our dream has not been realized. A well known banking official and financier has toured the region and can introduce the area to other Japanese, but we are still awaiting groups of sightseeing Japanese businessmen....The government should set national policies regarding Tsingtao and put industrialists at ease in order to promote development of the region".(54) One more consequence of the big influence of Japanese petty-traders was the development of a stiff competition resulting in high rents and small profits, which forced many to give up fast.(55)

As previously mentioned, the number of Chinese traders and merchants had also decreased from about 1500 during the German occupation period to about 500 in 1916. The main reasons were the small number of foreign ships calling at the harbour, customs trade barriers, mistrust of the Japanese administration, difficulties with postal and telegraph services, a newly introduced business tax and the lack of banks.(56) As a result in 1915, there was neither the influx of the anticipated Japanese businessmen starting investments or trade on a large scale, nor that of Chinese businessmen. The conclusions were drafted in an economic report of the Military Administration Office as late as 1917.(57) :
It is necessary

1. to open soon the planned railway on the Shantung peninsula for the public [the railway linking Tsinan with the Tientsin-Pukow line]
2. to lower definitely the transport costs of the existing railway
3. to improve the transport connection to Tsingtao harbour
4. to encourage the revival of the industries in Tsingtao
5. We should enter into friendly trade relations with the Chinese and, by increasing their profits, consolidate together the economic influence of Japan.
6. In order to expand the market for Japanese products, we should increase the security and easiness of handling trade; if one side is content with the existing trade conditions, they should notify the other side.
7. We have to explain clearly to the Japanese merchants our aims [in Shantung] and we have to forbid poor quality. At the same time, we should look only to export with the same level of quality as western goods.
8. We have to convince Japanese merchants and industrialists to visit Shantung.
9. We have to improve the financial institutions in Tsingtao.
10. It is necessary to improve the shipping linkage and to financially support shipping to and from Tsingtao more than has been done thus far.
11. Concerning the most important export goods from Shantung, we must without fail create favourable conditions (transport) and see that Tsingtao harbour will be used for export.

As can be clearly seen, even as late as 1917, the Japanese authorities deemed it necessary to create favourable trade relations inside Shantung with the Chinese merchants class in order to promote export trade and penetrate deeper into the Shantung market. In a broder sense the Military Administration report of 1916 describes Japanese aims and difficulties.[58]: "Nowadays, whereas the whole trade is turning towards Japan, the Japanese trade with China should not miss the chance to extend its preferential trade rights there. We should not be dazzled by our success and treat the import of goods with as much care and trustworthiness as possible so that Japan can fully use its geographically superior position in order to increase profits and economic strength in the occupied area".

In particular the admonition "to use as much care as possible with the import goods" seems to have been a great problem not only in pre-war time, but also and even more so during the war when production capacities in Japan were often insufficient for the sudden demand. In an article titled, "The future of Japanese Industries", also published in 1916, the author, Inoue Junnosuke, then Director of the Yokohama Specie Bank, wrote:..."The present development in trade between Japan and China is simply nothing compared with what it ought to be. ...The great danger is that Japanese manufacturers and exporters will not take the necessary measures to ensure quality sufficient enough to compete with western exporters, and so will even lose markets they have gained during the war".[59]

3. 2. The Beginnings of Success 1917-1922

The goals of the Japanese military administration were described in a memo which was submitted to Foreign Minister Kato Takaaki by Army Minister Oka Ichinosuke on December 25, 1914[60]:

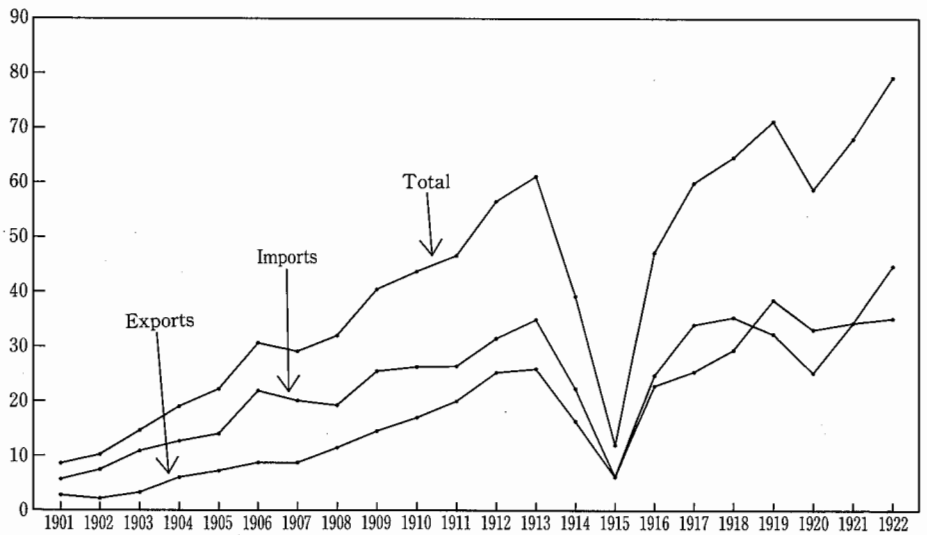
1. The paramount goal of the administration is to propagate imperial policy and to achieve national policy objectives.
2. In form, the Japanese administration will adopt the main features of the previous German administration for the sake of convenience, but as for the spirit of administration, it will sweep away any vestige of German power and seize German rights and priviliges which will contribute to the development of commerce and industry.
3. Those who came under Japanese control, no matter what nationality or religion, will be protected and will enjoy imperial benevolence.
4. [Army administrators] will strive to lead the Chinese people with sincerity and integrity, and will treat all fairly, regardless of political leanings. However, we will try to protect the dignity of Japan.

5. Imperial officials will encourage immigration and will prepare public laws so that full benefits can be obtained. It is essential to promote industry.

The restoration of the pre-war trade level required the first three years of the Japanese occupation, and the slow recovery was to some degree disappointing for the authorities involved. Mainly the representatives of the Foreign Ministry were complaining about the ineffective Military Administration. Funakoshi Mitsunojo, the Foreign Ministry representative in Tsingtao, claimed that military administrators lacked experience and knowledge of economic matters and that administrative affairs were extremely disorganized.(61) He was supported by Tsinan Consul Hayashi Kyujiro, and both were working for the establishment of a civil administration in their papers submitted to both Ambassador Hioki in Peking and Koike Chozo, head of the Political Affairs Bureau of the Foreign Ministry in Tokyo.

An underlying problem was the conflict between the War and Foreign Ministries in Japan for domination of Japan's China policy. As Canning wrote: "Japan's policies in Shantung between 1914 and 1919 were often shaped by political infighting and inter-governmental competition. This is clearly demonstrated in Shantung in the conflict between Army and Foreign Ministry officials over the problem of Chinese railroad guards in 1914, administrative policy in 1915, the Shantung Independence Movement in 1916 and the civil administration issue in 1917-1918".(62) The last conflict was formally ended on September 30, 1917, when

Graph 1. Tsingtao's Trade: Imports, Exports, and Total 1901-1922 in Mil. Haekuan Taels



(Compiled from the Imperial Maritime Customs Reports, 1901-1919, and Annual Statistical Series of Tsingtao Port, by the Japanese Chamber of Commerce, Tsingtao, 1920-1922)

the Terauchi Cabinet decided to establish a civil administration division within the military administration, and similar to the system in Manchuria.[63] Even though there was a strong Chinese movement against civil administration and the administration was to become abolished in 1918 again, trade development during this time surpassed the prewar level as can be seen in Graph 1.

The Military Administration and the Civil Administration both took steps to facilitate Japanese investments and "adopted a systematic scheme of encouragemment" to bring about industrial development in Tsingtao.[64] This included leasing land to companies at very low rents, electric power discount rates and discounted freight rates (of up to 40 percent) on the Shantung railway on raw materials sent to Tsingtao.[65] The results soon appeared: whereas there were only 22 Japanese companies which had invested in Tsingtao between November 1914 and December 1917.[66], the total number grew by 1921 to 55 companies with headquater in Tsingtao, 150 branch offices and 11 Japanese-Chinese joint ventures.[67]

One method of attracting industries had been to offer cheap property to companies. This was attained by three ways: outright confiscation, rent and forced sales of property formerly owned by foreigners or Chinese. Confiscation was used for foreign property, thus alienating foreign trade and foreigners themselves who were leaving Tsingtao.[68] The Military Administration rented 717 houses from Chinese and 72 from European owners in Tsingtao between December 1914 and February 1915.[69] As late as 1918, one could read this cynical sounding article in a newspaper from Tsingtao: "After the Japanese occupation... many Japanese came over to Tsingtao and occupied a great many of the Chinese houses, leaving very few for the others. Consequently, though we desire to invite many Chinese to the town, it is impossible to give them shelter and we can not help feeling sympathy with those Chinese who left the town at the outbreak of the war and can not come back to their old homes".[70]

Two military orders further assisted the Military Administration in gaining easy access to land inside and outside Tsingtao: one order prohibited agricultural improvements in the fields surrounding Tsingtao, reserving these fields for factory sites.[71] The other order cancelled a sale tax of 33.3 percent on the true increase of the value of land, which had been introduced during the German lease time to discourage land sales and speculation.[72] As a further incentive for Japanese investments, the land bought by the Military Administration and later by the Civil Administration for a fixed price of 55 silver yen per mao (one sixth of an acre) was leased out to factory owners at a charge varying between 0.12 and 0.36 silver yen per tsubo.[73] These measures seemed to have had the desired results: "The growth of Tsingtao may be seen from the fact that the number of firms and factories with a subscribed capital of over half a million yen was 32 at

the end of 1918, which during the years under review increased by 38, making the total 70. Over 300 houses are now under construction" as the Kiaochow Trade report mentioned.[74]

In 1922, during the discussions over the return of Kiaochow to China, which lead to the Treaty for the Settlement of Outstanding Questions Relative to Shantung[75], there was also discussion over the investments made by the Japanese government and private companies.

According to Higuchi, they can be divided in primarily two groups[76]:

1. Government investments

These include investments used for reparations and the up-grading of former German government public utilities such as the slaughter house, the electric power station, totalling 2, 4 million silver yen. Furthermore, they include Japanese government investments in Japanese-Chinese joint-ventures for steel production of about 40 million silver yen and investments in mining, government joint-ventures and loans to Chinese companies of 321 million silver yen. The Japanese government invested about 17 million silver yen in schools, hospitals, religious facilities and other cultural activities. Thus, government investments total 380, 4 million silver yen.

2. Private investments

a)	Banking	10 million silver yen
b)	Spinningmills	80 million silver yen
c)	Manufacturing	20 million silver yen
d)	Trading companies	60 million silver yen
e)	Real estates and small and medium companies	3 million silver yen
		total 193 million silver yen

Private and government investments reached a total of 573,4 million silver yen.

There are other numbers as well, thus making an exact evaluation difficult. Tsing Yuan in his article writes that of the 52 joint-stock companies in Kiaochow, 28 had capital exceeding 1 million yen; 8 had capital exceeding 10 million yen and three even had more than 100 million yen.[77] The last three were branch offices of Nippon Yusen Kaisha, Mitsui and the harbour affairs branch office of the South Manchurian Railway Company. As Yuan further writes, the Yokohama Specie Bank was financed with 48 million yen, followed by the Bank of Chosen with 40 million yen.

The largest portion of the companies, such as the salt manufacturing companies, were capitalized between 500,000 yen and 4 million yen. One important point is that these companies "though smaller in comparison to the giants, dwarfed by far their Chinese competitors".[78]

Compared to the German lease period, one trend is clearly visible: whereas

75% of the German companies were in the fields of trading, financing and insurance, the situation during the Japanese occupation period, and especially since 1916, had been a reverse one. The predominant investments, either pure Japanese or for Japanese-Chinese joint-ventures, were in the field of manufacturing and the development of resources such as coal and iron ore or salt. The increase of exports in these fields caused through growing investments will be discussed in more details later.

The sharp increase in exports following the first two years after 1914 was still mainly due to the export of copper, or, to be specific, of copper coins and ingots, but not through capital investments. Japanese companies, profiting from the enormous war orders for arms and ammunitions placed by England, France, Russia and Italy, were in need of copper.[79] Therefore it was worthwhile for many Japanese to buy up Chinese coins and ingots and bring them to Japan. Whereas the price for 100 kin (=60 kg) at the end of 1914 was 25 yen, prices rose to 50 yen in 1915 and even climbed to 85 yen at the end of 1916.[80] The market in Shantung was joined by the big companies like Mitsui, Sahara and Suzuki, which also soon dictated the conditions of selling and buying. At peak times, up to 60 tons were sold per day in Tsingtao.[81] In 1917 prices tumbled due to rumours of peace in Europe to 64 yen in Tokyo, and a stricter export control of this illegal export, agreed upon by Japanese and Chinese authorities finished the copper export once and for all.[82]

The mining concession for coal had been given to the German government in 1899. The Shantung Mining Company (or SBG) mainly used two shafts, one in the Po-shan field and one in Wei-hsien, the latter producing high quality coal.[83] Production grew to 613,000 tons in 1913, yet for two reasons, the business was not as successful as had been anticipated: 1. As Schrecker states, the SBG was too big a company with excessively large investments for Shantung. Thus, production costs were much too high; and 2., the company could therefore not compete with the small, labour-intensive and thereby cheap Chinese mines. Even with government subsidies on transportation with the Shantung railway, prices were still too high to sell most of the coal in Tsingtao.[84] It seems that coal production under Japanese occupation was not very successful. One indication is that neither in the Tsingtao trade reports nor in the research reports of the Military Administration is there any mention of mining activities. According to one Chinese source, the Japanese exported during the period between 1915 and 1922 about 1,220,056 tons of coal from Fangtze, Po-shan and Wei-hsien.[85], whereas the Chinese customs gives the number as 934,074 tons in the same period.[86] One more source, Tezuka Mazao's "History of Heavy Industries in China" reveals that there were 1,417,155 tons of coal mined at the Po-shan, Tzechuan and Fangtze sites only during the period between 1917 and 1919, with

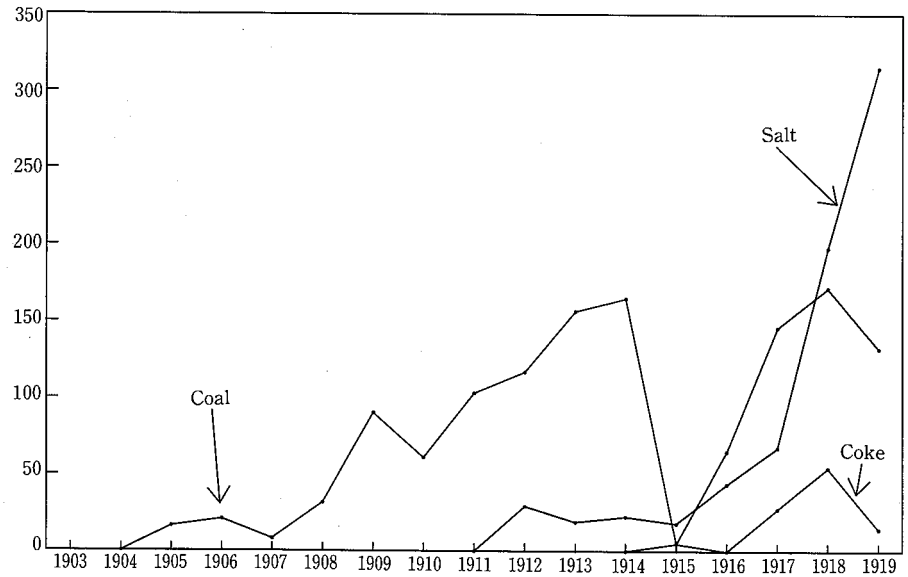
clear profits of 6,802,202 yen.[87]

During the period 1915 and 1916 there were only 470,000 tons of coal mined at the same sites which seems to be a reasonable figure because most of the shafts had been flooded and the mining equipment damaged by the retreating Germans. According to Godshall, the Japanese government "assumed control equivalent to ownership of the Tzechuan and Fangtze coal mines and of the Chinglingchen iron mines. The Fangtze mines were worked by two private companies under government contract, the Fangtze West Colliery by S. Yoshiki, and the Fangtze East Colliery by G. Matsunami.[88] The other two sites were managed by the railway administration. One year after the establishment of the Civil Administration, the Japanese abolished all formerly appointed coal merchants in Shantung and henceforth only agents approved by the Mining Department of the Shantung Railway were allowed to sell coal. These became Mitsui Bussan and Suzuki & Co. at the Po-shan mines.[89] In this way, the coal trade was openly monopolized by the Japanese.

The Chinglingchen iron mines were believed to be the richest in all of China together with the Han Yeh Peng mines. According to German and Japanese analysts, the ore contained 65% iron, 24% manganese and 3% sulphur. The shafts had also been destroyed by the Germans and production only began in 1918. In 1919, the first large quantity of iron ore, 63,345 tons, left Tsingato for the Government Iron Foundry in Wakamatsu.[90]

Fukumoto Nichihan, a Diet member in 1915, expressed hopes relating to the

Graph 2. Export from Tsingtao in 1000 tons



Compiled From: Chinese Imperial Customs, Tsingtao Annual Trade Report, 1903-1919.

occupation of Tsingtao and the expected possibilities of mining iron ore: "...For this our main hope lies in the great iron mines of China. There are some mines in Manchuria but not sufficient for our needs. It is only right that Japan should hope to secure what Germany failed to obtain, as she has now succeeded to German rights in China. If the result of the war should be the opening of resources for a full supply of iron ore to Japan, she can afford to regard the war as sent by Heaven".[91]

Connected with the export of coal was also the export of coke-during the first years, this amounted to only some hundred tons, but it changed for some-time after 1917. As the Kiaochow trade report states the coke was exported "on account of demand for it in Japan for metallurgical purposes".[92] Thus, there were 29,789 tons exported in 1917, increasing to 57,836 tons in 1918; but export already decreased again in 1919 to 17,575 tons[93] and hovered around 22,00 tons until 1922.[94]

One more important difference from the the German occupation was the growing salt export from Tsingtao from 1915. As the China Yearbook of 1914 notes[95], salt production in China had been a Government monopoly. Thus, it had been produced under license, conveyed in bonds to depots and then sold to licensed dealers who in turn sold it to licensed wholesalers. China was divided into 11 areas and even the transport from one area to another was forbidden. The total amount of salt sold in China in 1908 was 25 million piculs (about 1.5 mil. tons), for which the people paid 81 million Taels. Eighty percent of this amount was going to the Imperial Exchequer in the form of taxation. From there, they were absorbed into the Imperial budget.

There was no salt production in Tsingtao until 1913, starting off very slowly in this year. With the Japanese occupation, this changed rapidly.

Even though the salt fields were not within the boundaries of the Kiaochow leased territory as defined in the convention of 1898, the Japanese acquisitions were justified by clauses 1 and 2 of the notes of May 25, 1915, demanding that Japan would restore Tsingtao to China only if the "whole of Kiaochow were opened as a commercial port".[96] The Japanese government acquired between 1914 and 1919, 40.32 square miles of salt fields. The Tsingtao Salt Factory and the Tsingtao Salt Storage and Financing Co.[97] produced and distributed the salt as a Japanese-Chinese joint venture. According to the Sino-Japanese Conversations during the Washington conference, Japanese companies owned a total of 8.133 acres and only 250 acres belonged to the Chinese.[98] The production rose from 84,000 tons in 1913 to 270,000 tons in 1918 and over 300,000 tons in 1919.[99]

The Tsingtao salt export covered about 30% of the annual Japanese demand of about 800,000 tons, as the Japanese delegates stated in Washington, and they were unwilling to change the place of import in order to protect the

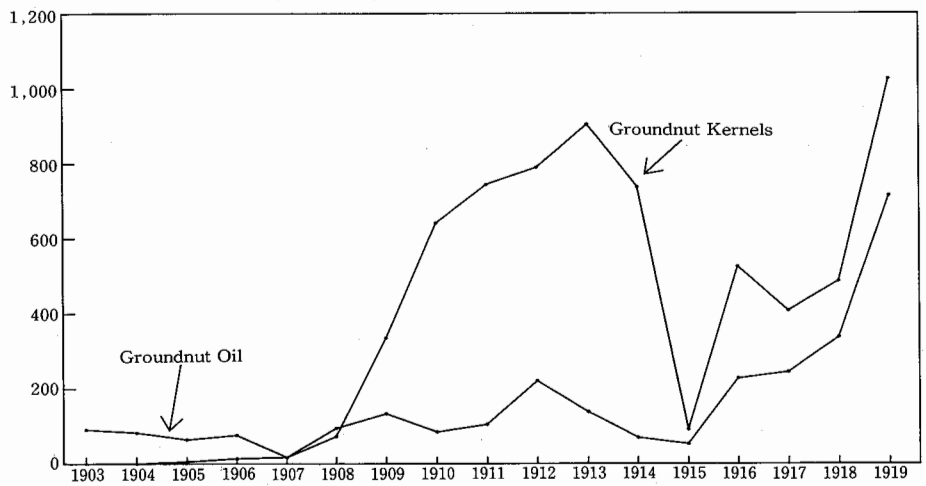
Japanese investments. As mentioned in the discussions, there were 24 factories belonging to 17 Japanese establishments.[100] In the Treaty for Outstanding Questions relative to Shantung, signed February 4, 1922, in Washington, the Japanese delegates could carry on their point of view to: 1. the compensation of Japanese companies and 2., even more importantly, that—against Chinese law—"a quantity of salt produced by such industry along the said coast is permitted to be exported".[101]

It is interesting to notice that in the reports of the Tsingtao Military Administration Office, which published the export quantities as well as the export values, the salt export numbers are hidden under the entry 'foreign countries" and do not appear in the column for Japan.[102]

The last export goods I would like to briefly describe are peanuts, peanut Kernels and related oils. Peanuts, which were to be found in nearly all parts of China, were a chief export product and gained even more importance before the First World War due to a growing demand in Europe.[103] The chief producing provinces until the end of the World War were Shantung and Kiangsu, which were subsequently surpassed by Chili. There was a trend of replacing the export of peanuts in shelled form by oil, already refined in China. As can be seen from the graph the export of groundnuts oil increased seven-fold during the Japanese occupation compared to the pre-war height from about 109,000 piculs to more than 70,000 piculs.[104] Before the war, France and Germany were the main customers; in 1919, 84% of the Tsingtao export went to Japan, the remaining part going mostly to the United States which only started buying groundnuts oil in 1916.[105]

Finally, I would like to comment on the trade development after 1922 and

Graph 3. Export from Tsingtao in 1000 piculs



Compiled from: Chinese Imperial Customs, Tsingtao Annual Trade Reports, 1903-1919.

the official return of Tsingtao to China by way of the Washington Conference. Japan, represented by Baron Shidehara, was able to secure many concessions which enabled it to keep its predominant position in Tsingtao even after its return to China. The most important points were that Tsingtao was to become an open port in which "...the vested rights lawfully and equitable acquired by foreign nationals in the said area under the German regime, or during the Japanese military occupation, will be respected".(106)

According to the "Treaty for the Settlement of Outstanding Questions Relative to Shantung" of February 4, 1922, the salt export was to be continued as already mentioned (article 25) and the mines of Tzechuan, Fangtze and Chinglingchen were to become Japanese-Chinese joint ventures [article 22].(107) A special agreement concerning the Tsingtao-Tsinan railway was concluded and a compensation of 40 million gold Yen was appropriated.(108) A lot of Japanese companies producing for the Chinese market continued to prosper in Tsingtao after 1922. The Dainihon Biru Co. kept its production volume after 1922, and the Dairen Ice Co. more than doubled its production volume from 1,200 tons in 1919 to 3,000 tons in 1926.(109) The same can be said for the Tsingtao match factory, increasing its production from 12,000 to 25,000 tons. As an example, for a much smaller company one can mention the Sekken Co., producing soap and increasing its turnover from about 60,000 yen to 450-500,000 yen.(110) The table below is taken from the same source.

Naturally, all the big trading houses of Japan had their offices in Tsingtao

Table 5. Production Development of Some Important Companies in Tsingtao

Company Name	Capital	1919	1920	1921	1922	1926
		(For All Years: Units in 1000 Yen)				
DaiNihon Biru	40,000	899 (62,000 box)	(52,100)	(58,100)	(53,100)	1,500
Dairen Ice Co.	500	18 (1,200 T)	81.7 (2,500 T)	67 (2,600 T)	86 (2,900 T)	(3,000 T)
Tsingtao Mill	500	650 (about 246,065 bags)	—	—	— (about 500,000 bags)	1,500
Tsingtao Matches	300	480 (12,000 T)	457 (8,252 T)	563 (13,100 T)	731 (15,275 T)	1-1,500 (25,000 T)
Nikka Silk Yarn	2,500	2,800	1,396	2,442	3,365	—
Shinso Bank	60 (silver)	63	130	144	146	450-500
Kosan Tiles	250	46 (silver)	—	—	20-23	
Tayomori Iron	500	400	500	750	600	60-70
Shantung Matches	500	—	260 (silver)	310 (silver)	437 (silver)	1-1,500
Shantung Devepolment	1,000	270	100	100	80	250 (bankruptcy)

(Yanagisawa, Yu, op. cit., p. 720)

and continued to do business after 1922. Even though Mitsui's and Suzuki's turnover fell from 17 million and 19 million Yen, respectively, to 8-10 million Yen, the turnover of other trading houses such as Mitsubishi or Towa Kansu grew significantly from 400,000 Yen to 4.5-5 million Yen in the case of Mitsubishi and 1.6 million Yen to 3-3.5 million Yen for Towa until 1926.(111)

For the smaller private companies, competition grew fiercer with the return of larger Chinese companies which dealt in the same staple goods such as peanuts and typical Chinese products.(112) These smaller companies also felt that after the return of Tsingtao to China the Japanese military as an important customer had left and the cozy atmosphere of a protected economic enclave was finished. Japan's recession after the First World War was just another factor adding to the difficulties the Japanese companies experienced as was the resurgence of competition with other nationalities, especially American companies. Moreover, German business returned as well: "In 1922, German shipping re-appeared for the first time since 1914, consisting of sixteen vessels at a weight of 62,100 tons. In 1924 and 1925, German shipping increased with such rapidity that in December 1926, a German consulate was established at Kiaochow, with 219 residents there".(113)

But the German share was nothing compared with pre-war times as can be seen from the following table. This table shows the shares of the most important trading partners of Tsingtao for exports, imports and the total over a 12 year time span. Even three years after the return of Tsingtao to China the German share was 60 percent lower than in pre-war times whereas the Japanese share had increased about 400 percent. Japan's dominating position in 1925 was still undangered by any other foreign country, its import share being 73 percent and its export share 50 percent.

Table 6. The Trade Development of Tsingtao-by Countries (mil. Haekuan Taels)

	1913@			1916@			1923@			1925@		
	Imports	Exports	Total	Imports	Exports	Total	Imports	Exports	Total	Imports	Exports	Total
France	0.02	3.44	3.46	0	0	0	0	1.5	1.5	0.09	1.62	1.71
Germany	2.89	2.28	5.17	0	0	0	0.43	0.66	1.09	0.56	1.53	2.09
Hongkong	1.82	0.39	2.21	1.29	0.16	1.45	3.62	1.41	5.03	3.35	2.16	4.39
Japan	8.3	2.12	10.42	11.06	15.56	26.62	23.02	14.68	37.7	24.65	13.74	38.39
Russia	0.1	2.4	2.5	0	0.11	0.11	0.24	0	0.24	0.16	0.19	0.35
USA	0.8	0.36	1.16	0.74	0	0.74	4.02	3.18	7.2	4.25	5.12	9.37
others*	1.53	1.97	3.5	1.17	0.52	1.69	0.54	0.61	1.15	0.71	3.03	3.74
Total	15.46	12.96	28.42	14.26	16.35	30.61	31.87	22.04	53.91	33.77	27.39	61.16

*=1923 and 1925 only England
@=Coastal Trade is not included.
Source: 1913 and 1916: Chinese Imperial Customs, Annual Reports
1923 and 1925: Tsingtao Annual Trade Reports, Japanese Chamber of Commerce

4. Conclusion

Japanese occupational policies aimed at controlling Tsingtao and Shantung to a degree never reached by German occupational forces. Whereas the capital inflow during the German occupational period was primarily state capital and was used to develop the infrastructure with the aim of making Tsingtao an international trading center, Japanese investments were to a far greater extent private investments, bringing about industrialization in an exclusively Japanese dominated sphere. This development was supported by the introduction of Japanese currency, Japanese laws and the control of transportation facilities.

An important difference between the German and Japanese occupational aims was that the development of natural resources, particulary coal, served-in the German lease period-the railway, but under Japanese occupation the development of home industries and the industrialization of Japan itself. The growing food exports from Tsingtao to Japan also indicated that Shantung foods should help to feed Japan's ever growing population.

Naturally the geographic vicinity of Japan to Shantung made it relatively easy to excert a strong influence. The influx of a large number of Japanese and Japanese companies, the alienation of the Chinese population and a strict military occupation policy helped to monopolize trade. The Japanese trade, during the first years, was hampered by strong anti-Japanese feelings after the Twenty-One Demands in 1915, Yuan Shi'kai's restoration movement in 1916, which was also opposed by the Japanese army in Shantung, and finally, war damages, but grew rapidly thereafter. In 1919, exports exceeded imports for the first time, following the trend of all of Northern China, as had been indicated in the introduction. After the Versailles conference and its political impact on Chinese nationalism, international pressure upon Japan to restore the lease to China increased. The return of the other powers to China under the slogan of the "open door" policy forced Japan to make Tsingtao more accessible to other nations and finally to restore Tsingtao to China after the Washington conference. Japan was able to keep her predominant position after the return by forcing China to oblige to many of the Japanese conditions. Even though politics under the Terauchi Cabinet after 1916 stressed the necessity of promoting friendlier relations with China on an equal footing the means of Japan's China politics had only changed from direct intimidation such as the Twenty-One Demands to a more sophisticated policy of creating dependency by loans. The "Japan faction" in the Chinese government under Tuan thereby secured Japanese rights in Shantung which would have been otherwise difficult to reach. Even though the secret agreement of September 24, 1918, lead to the removal of all Offices of Civil Administration and the withdrawal of all Japanese troops along the railway, Japan won not only the rights for building railway lines connecting Tsinan to the Peking-Hankow line

and Kao-mi to the Tientsin-Pukow line, but also the acknowledgement of her major claims in Shantung by China. Tuan's administration agreed to "...give full assent to all matters upon which the Japanese Government may hereafter agree with the German Government relating to the disposition of all rights, interests and concessions which Germany, by virtue of treaties or otherwise, possesses in relation to the province of China". This lead to the despising way many Chinese looked upon their own government as a "traitor to Japan". Japan's stake in Tsingtao were still high enough in 1927 to start the Shantung expeditions in 1927 after anti-Japanese boycotts and demonstrations, although other motives—such as supporting Chang Tso-Lin and hindering Chiang Kai-shek's northern advance —were dominant as well.

Doctorate Student, Faculty of Economics, Hokkaido University

Notes

1. Iriye, Akira: China and Japan in the Global Setting, 1992, p. 25.
2. Nye, Joseph: Bound to Lead. The Changing Nature of American Power, 1990, p. 174-191. He defines as "hard" powers the military and economic powers, whereas cultural pursuits belong to "soft" power. But Douglas R. Reynolds emphasizes in his book "China, 1898-1912-The Xingzhen Revolution and Japan", Harvard Univ. Press, 1993, just the importance of the "soft" power Japan excerted through education and administrative help in China during this period which he even calls the "golden decade" of Japanese-Chinese relations.
3. Compiled from: DaiNihon Gaikoku Boeki Nenpyo, Annual Statistical Series of Great Japan's Foreign Trade, Tokyo, 1906-1920.
4. This paper is mainly based on the following Japanese sources: 1. Gunseisho [Tsingtao Military Administration Office (MAO)]: Doitsu jidai no Tsingtao [Tsingtao during the German period, Tsingtao 1915; 2. ibid, Shina ni okeru doitsu no chikara [Germany's power in China], Tsingtao, 1915; 3. ibid, Shantung kenkyu shiryo Research concerning Shantung], Tsingtao, 1917; 4. ibid, Tsingtao kaigisho hokoku [Tsingtao Chamber Commerce Reports], Tsingtao, 1915; 5. Tsingtaoko boeki tokei nenpyo, 1920-1922, Tsingtao 1923 [Annual Statistical Series of Tsingtao Trade]. Further I used: China, Imperial Maritime Customs (IMC), Decennial Reports on Trade, 1911-1921, and the same: ICM, Returns of Trade and Trade Reports, Annual Vols.; Nihon Gaiko Bunko [Documents relating to Japan's Foreign Policy], Taisho Period, 31 Vols., Tokyo 1964...; Yukizawa, Kenzo and Maeda, Shozo: Nihon boeki no choki tokei [Long Term Statistics of Japanese Trade], Kyoto, 1978.
5. The most thorough description of Tsingtao under German occupation can be found in: Schrecker, John E.: Imperialism and Chinese Nationalism, Germany in Shantung; Harvard Univ. Press, PH. D., 1971. The onliest comparative work on Tsingtao under German, Japanese and Chinese administration is: Godshall, Wilson Leon: Tsingtao under Three Flags, Shanghai, 1929.
6. Hesse-Wartegg, von: Shantung und Deutsch-China, Leipzig 1898, p. 7.
7. Schrecker, op. cit., p. 61.
8. ibid, p. 211.
9. Godshall, op. cit., p. 109-110, and Schrecker, op. cit., p. 56.
10. Schrecker, op. cit., p. 140.

11. ibid, p. 141; a growing international isolation of Germany during these years made it more responsible to pressure, specially by Britain; and Germany feared retaliatory measures in China if it would not open up Shantung to other nations. One example of Germany's weak political position in Shantung is that it did not wield any influence on the selection of the Chinese governors.
12. ibid, pp. 140-171.
13. Schrecker, op. cit., p. 208. In 1907 China negotiated with Japan over the establishment of the customs in Dairen, its goal being to errect a similar system there as in Tsingtao. However, as Schrecker writes, the Japanese were apparently in a stronger position than the Germans, for the system set up was closer to the German of 1899 than the one of 1906. ibid., p. 208. As the London Times 1906 reported: "The German have recognized that an illegal trade [which grew under the free zone status enormously] is a pour foundation upon which to build a colony; and, thus, have proven themselves to be more understanding and better colonists than their three rivals England, France and Russia, and, we must admit, than the new Japanese owners of Port Arthur and Dairen...." in: Schrecker, op. cit., p. 209.

The customs revenues as an indicator for commercial activities for five years can be shown as follows (in Dollars):

Year	Imports	Exports	Total
1910	247,763	142,502	390,265
1911	251,130	148,231	399,361
1912	366,714	213,218	597,932
1913	423,185	253,161	676,346
1915	111,163	24,912	136,075

Consular File, Tsingtao, 28 May and 6 September 1915 in: Simon, p. 49, Table 6. According to Shimizu,Hideko, Shantung mondai [The Shantung Question], p. 121, in: Kokusai seiji, 56, 1970, Tsingtao's custom incomes were the sixth highest of all Chinese ports after Shanghai, Tientsin, Dairen, Hankow and Kanton: 1917: 1,850,000 Haekuan Tael; 1919: 1,600,000 Haekuan Tael.

14. The Schantung Eisenbahngesellschaft [or SEG] was a joint stock company with a base capital of 54 mil. marks. 56 train stations were between Tsingato and Tsinan along the line. The onliest comparison I found concerning fright and passengers carried in the yearly average during German, Japanese and Chinese managment is the following:

	Fright No. of Tons	No. of Passengers
1905-12 (German)	575,000	844,000
1915-22 (Japanese)	1,444,000	2,341,000
1923-26 (Chinese)	2,039,000	3,767,000

Source: Feng Djen Djang: The diplomatic relations between China and Germany since 1898, 1926 (rep.1971), p. 245.

15. The Schantung Bergbau Gesellschaft [or SBG] was founded in 1899 with a base capital of 12 mil. marks.
16. The SEG gave a rabate of 25% from Wei-hsien to Tsingtao and 30% from Po-shan to Tsingtao.
17. The high production costs aroused from having to create a competent and reliable work force for the most modern equipped factory for spinning and throwing silk. The company was capitalized with 1.8 mil. marks and employed about 1500 Chinese; see Schrecker, op.

cit., p. 230-231.

18. The company was founded in 1904 by a syndicate of several nationalities and capitalized at 400.000 marks. See Schrecker, op. cit., p. 231.
19. Manchester Guardian China Number, September 21, 1915, in: Feng, op. cit., p. 230.
20. Feng. op. cit., p. 230.
21. Schrecker, op. cit., p. 233-235. For statistical data see ICM Decennial and Annual reports on returns of trade, 1906-1921 Shantungs position in the foreign trade of China prior to the Japanese occupation:

Merchandise	Percent of China's Total Export of This Commodity	Place of Tsingtao among China's Ports in This Export
Cattle	40	1 st place
Cow hides	7	3 rd place
Fresh meat	48	1 st place
Peanuts	44	1 st place
Peanuts oil	43	1 st place
Silk pongees	37	2 nd place
Strawbraid	85	1 st place

Source: Consular File, Tsingtao, 28 May and 6 September, 1915, in: Simon, p. 48, Table 4. In absolute figures revenues of the most important seven ports in 1913 were [in Haekuan Taels]: (1) Shanghai: 14,475,433, (2) Tientsin: 4,391,317, (3) Hankow: 3,608,621, (4) Canton: 3,346,736, (5) Swatow: 2,031,654, (6) Tsingtao: 1,915,889 [1914: 1,197,082] and (7) Dairen: 1,762,905. Source: China Year Book, 1914, Total revenue of each port, p. 133.

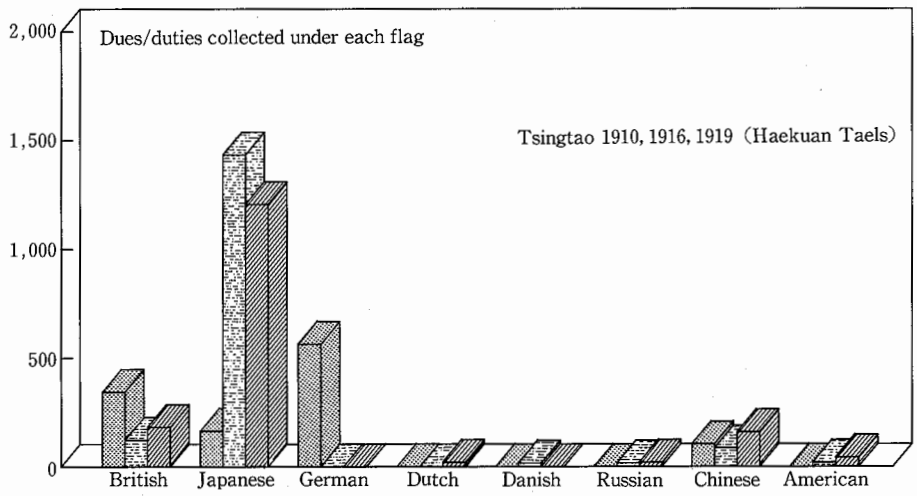
22. ICM, op. cit, 1901-1914, and Schrecker, op. cit., p. 234.
23. Schrecker, op. cit., p. 234-235.
24. ibid, p. 236.
25. Schrecker, p. 24.
26. ibid., p. 5.
27. ibid, p. 236 The first had been the American Consulate in 1906.
28. Schrecker, ibid, p. 236.
29. ibid, p. 239-240.
30. ibid, p. 55.
31. Inoue, Junnosuke: Japan and Tsingtao; in: The Japan Magazin, September 1916, p. 299-300.
32. Baron Kato Takaaki: Japanese influence in China, in: The Japan Magazine, December 1913, pp. 429-432.
33. For the diplomatic background of this and the following: Usui, Katsumi: Nihon to Chugoku-Taisho Jidai, 1972, pp. 41-85. [Japan and China in the Taisho Era]; Nagaoka, Shinjiro: Oshu taisen sanka mondai [The problem of Japan's participation in World War One], in: kokusai seiji [International Politics], 1957, pp. 29-38; Kajima, Morinosuke: The Diplomacy of Japan 1894-1922, Vol. 3, Tokyo 1980, pp. 29-33.

    Major von Klaer wrote in a report to the German Foreign Ministry on September 29, 1905, concerning a possible victory of Japan in the Russo-Japanese war: "The result would be that a stronger Japan-possibly together with China grown military strong-could turn against the one or other foreign power which intruded East Asia. The possibility may not be excluded that this country is Germany. Against a Japanese or Japanese-Chinese

attack Germany would be unable in the long run to hold Kiaochow...".

34. Military Administration Office (thereafter MAO), 1917, p. 10.
35. ICM, 1915, p. 389.
36. ibid., p. 390.
37. ICM, 1912, 1915-1919, and: Japanese Imperialism and Tsingtao Harbour, 1983, p. 54. The source for the following graph is:

Imperial Chinese Maritime Customs, 1910, 1916 and 1919, Tsingtao Annual Report



38. ICM, Kiaochow Trade Report, 1917, p. 397.
39. ibid, p. 397.
40. Bensimon, C. Simon: Political and Economic Development in Shantung province 1914-1919, PH. D. Chicago Univ., 1975, pp. 53-54.
41. ICM, Kiaochow Trade Report, 1917, p. 402.
42. ICM, Kiaochow Trade report, 1919, p. 348.
43. ibid, p. 348.
44. Nihon Gaiko Bunsho, (NGB) 1914, Vol. 3., p. 403-404, doc. 421; [Documents on Japanese Foreign Policy]; also Bensimon, op. cit., p. 31.
45. ICM, Decennial Reports, 1912-1921, p. 208.
46. ICM, Kiaochow Trade Report, 1915, p. 390.
47. Willoughby, Westel W.: Foreign Rights and Interests in China, 1966, p. 384.
48. Bensimon, op. cit., p. 56.
49. MAO, 1917, p. 72.
50. ICM, Kiaochow Trade Report, 1915, p. 389.
51. Bensimon, op. cit., p. 9.
52. ICM, Kiaochow Trade Report, 1915, p. 389.
53. Seito Shinpo, April 24, 1915.
54. NGB, 1915, Vol. 3, part 2, p. 876, doc. 750.
55. Ullrich, Leo: Der Wirtschaftskrieg. Hrsg. vom Koniglichen Institut fur Seeverkehr und Weltwirtschaft, 3. Abtl., "Japan", 1917, p. 11.
56. ibid, p. 11, auch: London and China Telegraph, January 1, 1917.
57. MAO, 1917, p. 72.

58. MAO, 1916, p. 12.
59. Inoue, Jonnosuke in: The Japan Magazine, November 1916, p. 418.
60. Canning, Craig Noel: The Japanese Occupation of Shantung During World War One, Ph. D., p. 65.
61. ibid., p. 237-238.
62. ibid., p. 1-2.
63. ibid, pp. 212-214.
64. Bensimon, op. cit., p. 71.
65. ibid, pp. 71-72.
66. ibid, p. 70.
67. Higuchi, Hiroshi: Nihon taishi toshi kenkyu, 1938, pp. 343-344 [Studies on Japanese Investments in China] and also Shimizu, Hideko: Shantung mondai [The Shantung Question], p. 120-121 in: Kokusai seiji, 56, 1977, pp. 117-136.
68. Bensimon, op. cit., p. 52.
69. ibid, p. 52.
70. Seito Shinpo, August 20, 1918.
71. Bensimon, p. 72.
72. Schrecker, op. cit., p. 66 -67, and Bensimon, op. cit., p. 72.
73. Seito Shinpo, May 10 and 18, 1918.
74. ICM, Kiaochow Trade Report, 1919, p. 346.
75. For the whole text see: Godshall, Wilson Leon: Tsingtao under Three Flags, Shanghai 1929, pp. 508-530.
76. Higuchi, op. cit., p. 504.
77. Tsing Yuan: The Japanese Intervention in Shantung during World War One, in: Coox and Conroy: China and Japan, p. 25.
78. ibid, p. 26.
79. Kobayashi, Ushisaburo: The Basic Industries and Social History of Japan, 1930, pp. 145-146.
80. ibid, p. 152.
81. MAO, 1918, p. 118.
82. Kobayashi, op. cit., p. 152.
83. Schrecker, op. cit., p. 104 and pp. 227.
84. ICM, Kiaochow Trade Reports, 1901-1914.
85. Japanese Imperialism and Tsingtao Harbour, op. cit., p. 59.
86. ICM, Kiaochow Trade Reports, 1915-1922.
87. Tezuka, p. 129 and 525.
88. Godshall, p. 202.
89. Seito Shinpo, August 8, 1918.
90. ICM, Kiaochow Trade Report, 1919, p. 348.
91. The Japan Magazine, April 1915, p. 695.
92. ICM, Kiaochow Trade Report, 1917, p. 400.
93. ibid, 1919, p. 367.
94. Godshall, op. cit., p. 205.
95. China Yearbook, 1914, p. 59.

96. Bensimon, op. cit., p. 131.
97. ibid, p. 70, and Japanese Imperialism and Tsingtao Harbour, op. cit., p. 56. According to Shimizu Hideko, Toyo engyo was the largest of the Japanese salt producers with nearly 1,250 tsubo of salt fields out of a total of about 2,000 tsubo in 1919 under Japanese management. Chinese were holding about the same size of salt fields according to Shimizu, reflecting a Japanese share increase from 20% of the total at the beginning of 1919 to 50% at the end of the same year; in: Shimizu, op. cit., p. 121 in:
98. Chian Yearbook, 1922, p. 1148.
99. ibid, p. 1149.
100. ibid, p. 1150 and 1162.
101. ibid, p. 1172 and Godshall, op. cit., p. 437. The quantity being allowed for export was at maximum 350,000 kin per year for a period over 16 years.
102. MAO, 1918, p. 82.
103. China Yearbook, 1912, p. 57.
104. ICM, Kiaochow Trade Report, 1919, p. 368.
105. China Yearbook, 1920. p. 52.
106. Godshall, op. cit., p. 392.
107. ibid, p. 402.
108. ibid, p. 519-522.
109. Yanagisawa, Yu: 1920 Nendai Zenhanki no Tsingtao Kyoryuminshokogyo [Japanese Merchants in Tsingtao in the First Half of the 1920's] in: Kurume Univ. *Industrial Economic Research*, Vol. 25., No. 4, pp. 111-152.
110. ibid, p. 120.
111. ibid, p. 129.
112. ibid, p. 136-139.
113. Feng Djen Djang: The diplomatic relations between China and Germany since 1898, 1926 (rep. 1971), p. 237. Feng also writes that during the last three months of 1919 "considerable quantities of German dyes were imported to China". He also mentiones that in 1919 there were only two German companies in China, but in 1923 there were 70 German companies in Shanghai alone. Feng, p. 234-235. Whereas the British share of China's exports during the 1920's diminished and imports only doubled, Germany's imports from China grew tenfold and exports threefold; ibid, p. 236.