

The British Empire and the International Order of Asia : From the Hegemonic State to the 'Imperial Structural Power'

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Introduction

The purpose of this paper is to reconsider the nature and the formation of the 'International Order of Asia' in the inter-war years in the light of new historiographical developments in Great Britain as well as in Japan. Recently several Japanese economic historians have offered a new perspective on Asian economic history. They argue that the economic growth of Asian countries was led by the phenomenon of intra-Asian trade which began to grow rapidly around the turn of the twentieth century. On the other side, the British imperial historians, P.J. Cain and A.G. Hopkins have presented their own provocative interpretation, 'Gentlemanly capitalism and British expansion overseas', in which they emphasize the leading role of the service sector rather than that of British industry in assessing the nature of British expansion overseas. In this paper, I will attempt to integrate these new perspectives and to present a fresh interpretation of the international order of Asia in the inter-war years.

In the context of world economic history, the 1930s has been characterized by the long economic depression that followed the Great Depression of 1929, and by the steady erosion of the liberal free trade regime owing to the shift towards bloc economies. It has thus been described as a period, in which the relationship of economic interdependence receded to a great extent, thus paving the way to the

outbreak of the Second World War. From an Asian perspective, the 1930s has been interpreted as a period of rising nationalism against Western Powers. The independence from European colonial rule became a national slogan and the economic 'interdependence' was regarded as a vulnerability of each region or state. In general, with the collapse of the international political-economic order of the 1920s, the following decade has been identified as an era of 'crisis' as the imperial powers pursued self-reliance.¹ This paper tries to describe the formation of the 'Asian International Order' on the assumption that the inter-regional order of Asia in the 1930s has evolved unique characteristics under the influence of the British Empire.

British imperial history increasingly is being seen as a bridge to global history². In the last chapter of the second edition of *British Imperialism, 1688-2000*³, Cain and Hopkins suggest that imperialism and empire can be viewed as globalising forces. Furthermore, in the introduction to his recent edited volume on globalisation, Tony Hopkins emphasizes the importance of 'imperial' or 'modern' globalisation as a driving force in the world order⁴. In this paper, I will analyse the British relationship with East Asian countries, mainly with China. In the context of British imperial history, China has been regarded as a typical example of 'informal empire' in the nineteenth and the early twentieth centuries. The term 'informal empire' was mainly applied to areas and regions of the non-European developing countries, as the original definition of the term

¹ Yoichi Kibata, 'Kiki to Senso no Nijyu-nen [The twenty years during the crises and wars],' in Iwanami Koza Sekai-Rekishi [Iwanami Series of World History] 24: Kaiho no

² Shigeru Akita (ed.), *Gentlemanly Capitalism, Imperialism and Global History*, (London and New York, 2002), Introduction: from Imperial History to Global History.

³ P.J. Cain and A.G. Hopkins, *British Imperialism, 1688-2000*, (2nd Edition, Harlow and New York, 2001).

⁴ A.G. Hopkins (ed.), *Globalisation in World History*, (London, 2002), Introduction.

assumed the unequal political and economic status of these countries. However, the overseas influence of Great Britain ranged far beyond the confines of formal and informal empires, due to the global network of the City of London and the influence of its financial and service sectors in the capitalist world-economy. For example, after the conclusion of the Anglo-Japanese Alliance in 1902, Japan was treated as an ally of Great Britain rather than as part of the British informal empire⁵. Nevertheless even in the 1930s, the United Kingdom continued to exert financial influence upon Japan and the colonies of other Great Powers through the establishment of the sterling area, by setting 'the rules of the game' for international finance in East Asia. At that time, as I will consider later in section III, the Chinese Nationalist Government strengthened its political authority, and partly manipulated the balance of power in East Asia as a newly emerging nation-state. Thus debates continue about the validity of applying the concept of informal empire to China. Juergen Osterhammel favours analysing the dynamic interactions between British government, the Nationalist Government of China and her 'bureaucratic capitalism', as well as the evolution of a Japanese informal empire in East Asia, by using a more sophisticated version of informality⁶. But perhaps the best way to consider these interactions is to use the new concepts of 'structural power' and 'relational power', which incorporate these kinds of autonomous activities by the non-European countries, and which allow

⁵ Ian H.. Nish, *The Anglo-Japanese Alliance: The Diplomacy of Two Island Empires 1894-1907*, (London, 1966).

⁶ See C.M. Turnbull, 'Formal and Informal Empire in East Asia', in Robin W. Winks (ed.), *The Oxford History of the British Empire*, Vol. V, *Historiography*, (Oxford, 1999) ; Juergen Osterhammel, 'Imperialism in Transition: British Business and the Chinese Authorities, 1931-37', *China Quarterly*, LXLVIII (1984) ; Juergen Osterhammel, 'China', in Judith M. Brown and Wm. Roger Louis (eds.), *The Oxford History of the British Empire*, Vol. IV, *The Twentieth Century*, (Oxford, 1999).

us to understand the extent to which the British Empire exerted her influence upon international relations.

I Viewpoints of Analysis on the International Order of Asia⁷

(1) The Reconsideration of Asian Industrialisation: 'Imperial division of labour' and the 'complementarity' or interdependence

First, I try to reconsider the historical significance of Asian industrialisation in the 1930s in the context of Global History. It has often been said that the trade friction of the 1930s represented a scramble for Asian markets between the Lancashire and Japanese cotton industries and that it was regarded as a clash of manufacturing interests. However, the recent works in the field of British imperial history, especially the arguments of 'Gentlemanly Capitalism' by Cain and Hopkins, suggest that the financial and service sectors had always dominated British economic interests and that manufacturing was secondary. The external economic policies of Great Britain reflected this structure of the British economy. They put much emphasis on the payment of interest and dividends from the colonies, and the defrayal of administrative costs by dependencies. They stress that the maintenance of credibility of the sterling was imperative for the British gentlemanly elite. The same logic can be applied in the case of the Netherlands and her colonial rule over the Dutch East Indies⁸. Following these new interpretations, it is noticeable that a kind of 'coexistence' of economic interests tended to appear in Asia

⁷ This is a summary of 'Introduction' of joint work with Naoto Kagotani. See, Shigeru Akita and Naoto Kagotani (eds.), 1930-nendai Ajia Kokusai Chitujyo [International Order of Asia in the 1930s], (Hiroshima, 2001), Introduction.

⁸ Naoto Kagotani, 'Japanese Cotton-textile Diplomacy in the first half of the 1930s: The case of the Dutch-Japanese trade negotiation in 1934,' Bulletin of Asia-Pacific Studies, vol.VII (1997).

between the British and Dutch financial interests and the Asian manufacturing interest, supported by the rise of economic nationalism. The industrialised countries of Great Britain and the Netherlands transferred their labour-intensive (cotton) industries to Asian countries and tended to concentrate on the economic activities of the financial and service sectors. It was therefore reasonable for them to ratify the industrialisation of Asia through this shift of economic interests. It is one of the prominent features of the international order of Asia in the 1930s.

The rise of economic nationalism in each Asian region was an essential factor for the development of Asian industrialisation. To promote the industrialisation of Asia, it was important to establish two institutional frameworks; first, tariff autonomy and, second, an independent currency policy, which are the essential requirements of 'national economies'⁹. Japan achieved the latter in 1897 through the adoption of the gold standard and the former in 1899 by the revision of the so-called 'unequal treaties'. China achieved the first requirement in 1929 and the second in 1935 in the process of its own currency reform. In the case of British India, the process of attaining tariff autonomy was a gradual step by step process, but she could not control her currency policy, especially the exchange rates of Indian rupee to the sterling¹⁰. Its lack of currency autonomy led to an upsurge of nationalistic feelings and accelerated the acquisition of tariff autonomy in the 1920s.

However, as an important element in Asian industrialisation, I emphasize the 'complementarity' between the western powers and the

⁹ Yuzo Yamamoto, *Nihon Shokuminchi Keizaishi Kenkyu* [A study of the history of Japanese colonial economies], (Nagoya University Press, 1992), chap.2.

¹⁰ B. R. Tomlinson, *The Political Economy of the Raj 1914-1947: The Economics of Decolonization in India*, (London, 1979); do., *The New Cambridge History of India*, III -3, *The Economy of Modern India 1860-1970*, (Cambridge, 1993).

Asian regions and insist that the industrialisation of Asia in the 1930s is not solely explainable by a confrontational schema or rivalry between the 'core' and the 'periphery'. In the case of British India, the loss of competitiveness of the Lancashire cotton industry in the Indian market used to be interpreted as an 'economic triumph' for Indian nationalism¹¹. However, I can present a new picture; the industrialisation in British India was achieved by utilizing the imperialist order of the British Empire even under the colonial administration¹². In the 1920s, the Government of India gradually raised the level of import duties in order to attain more revenues and to balance Indian finances. This increase in the Indian tariff had the effect of smoothing the payment of administrative costs to Great Britain (the remittance of 'Home Charges'). In this sense, the British government implicitly allowed the raising of Indian import duties and affirmed the protective effect of duties upon Indian industry, even when they enforced the terms of 'imperial preferences' after the Ottawa Trade Agreement of 1932. British India in the 1930s started its import-substituting industrialisation through a complementary economic relationship between British financial interests and itself. From the British financial point of view, Indian industrialisation was useful for the collection of Indian debts, if British India could produce a trade surplus from Britain by reducing her imports and establishing a favourable balance of payments. The Indian nationalists recognized this logic through the political negotiations for acquiring tariff autonomy. This example of British India reflects the unique features of the industrialisation

¹¹ Basudev Chatterj, *Trade, Tariffs and Empire: Lancashire and British Policy in India 1919-1939*, (Delhi, 1992).

¹² Nobuko Nagasaki, 'Hi-bouryoku to Jiritsu no Indo [India under the Non-violence and Independence],', in Naoki Hazama and Nobuko Nagasaki (eds.), *Sekai no Rekishi [Series of World History] 27: Jiritsu ni mukau Ajia [Asian movements towards Independence]*, (Tokyo: Chuo-Kouron Shinsha, 1999).

of Asia in the 1930s, and demonstrates the need to reconsider it from the new angle of the complementary relationship with, rather than antagonism against, the western powers. Asian industrialisation made a steady progress, by taking full advantage of the imperialistic international order of the world in the 1930s.

(2) The 'Openness' of Imperialistic International Order and Asia

It has been argued that the European powers and Japan in the 1930s divided Asia into their spheres of influence through exclusive 'bloc' economies and that their rivalry became a remote cause of the Asia-Pacific War (the Second World War). However, I would like to insist that European policies towards Asia in the 1930s were not so exclusive as is often argued and that the Ottawa Trade Agreement and the sterling area of Great Britain possessed a degree of 'openness' as a bloc economy. I agree with the new interpretation of Cain and Hopkins on the following point: the Ottawa Agreement was intended primarily to promote the financial and service interests of the City of London rather than British manufacturing interests, by smoothing the payment of interest and dividends from the colonies to the metropolis.

In order to achieve this smooth payment of interest, it was imperative to increase and maintain the trade surpluses of the colonies. Therefore, the metropolis, especially Great Britain, had to be the largest purchaser of primary products from the colonies. As a result, the Ottawa Trade Agreement gave priority to the expansion of colonial exports of primary products rather than the export of manufactures from the United Kingdom. A contemporary publication by the Royal Institute of International Affairs clearly pointed out the logic behind and the results of

the sterling area in the late 1930s¹³. However, it was difficult to maintain a large trade surplus for the colonies by relying only on the sterling area. It had to be complemented by the growth of exports to other advanced industrial nations, such as the United States and Japan, from the British Empire and Commonwealth. It is worth noting here that B. R. Tomlinson has pointed out that the Ottawa Agreement and imperial preferences rarely functioned to strengthen the economic links within the British Empire and that the application of imperial preference to British India was completely irrelevant.¹⁴ As already mentioned, British India in the 1930s was industrialised by taking full advantage of the protection of imperial preferences. The main concern of the United Kingdom was not to implement tariff policies for the protection of British domestic industries, but to maintain the international value of sterling along with the 'financial and service interests' of the City of London. The British Empire and Commonwealth in the 1930s was not a 'closed' bloc, protected by preferential tariffs: it was open and responsive to the external world in order to promote British 'financial and service interests'. Naoto Kagotani's recent book reveals the Japanese response to this 'openness' of the sterling area, by analysing the Japanese economic diplomacy in the 1930s, especially the Indo-Japan cotton trade negotiations in 1933-34 and the Dutch-Japan trade negotiations in 1934-37.¹⁵ Kaoru Sugihara also points out the unofficial linkages between Japanese yen, Chinese dollar and the sterling area, which constituted a de facto 'devaluation

¹³ The Royal Institute of International Affairs, *The Problem of International Investment*, (London, 1937).

¹⁴ B. R. Tomlinson, 'Imperial Power and Foreign Trade: Britain and India (1900-1970)', in P. Mathias and J. A. Davis (eds.), *The Nature of Industrialisation*, vol.5, *International Trade and British Economic Growth from the Eighteenth century to the Present day*, (Oxford 1996).

¹⁵ Naoto Kagotani, *Ajia Kokusai-tusho Chitsujo to Nihon* [International Commercial Order in Asia and Japan], (Nagoya University Press, 2000).

zone' in the middle of the 1930s. The emergence of this 'devaluation zone' contributed, to a great extent, to the industrialisation of Asian countries.¹⁶ Britain heavily depended on a relatively 'free trade' regime, balanced budgets and low military expenditure in the 1930s. A 'closed' empire usually increases the cost of maintaining the empire, and the British Empire was the case in point of how to reduce costs through its 'openness'.

(3) 'Structural power' and the Army in India for maintaining the security in Asia

The arguments for gentlemanly capitalism include the reconsideration of British power and influence in the context of international relations of the inter-war years and its resurgence as a great power.

Recently, in an attempt to take the debate on British imperialism beyond the confines of the formal/informal empire debate, Tony Hopkins has distinguished between two forms of power in the international system and made use of the concepts of 'structural power' and 'relational power', as a means of interpreting the British presence in Latin America, especially in Argentina in the nineteenth century. 'Structural power' allows its possessors to determine, or at least exert, a predominant influence, and to lay down the general rules of the game governing international relations and can be seen in this context as fundamentally a manifestation of the core values and policy priorities of the British liberal state, with its preference for free trade, low taxation and sound money. On the other hand, 'relational power' deals with the negotiations,

¹⁶ Kaoru Sugihara, 'The Emergence of an Industrialisation-promoting Monetary Regime in East Asia: The Sterling Area versus the East Asian Devaluation', in Akita and Kagotani, op.cit., chap. 2.

pressures and conflicts that determine the outcome of particular contests within this broad framework¹⁷. These concepts of 'structural power' and 'relational power' originate with Susan Strange, an eminent specialist in international political economy. She identified four aspects of structural power: control over credit, control over production, control over security, and control of knowledge, beliefs and ideas¹⁸.

I will try to apply these concepts to the broader context of global history. At the Global History Workshop in Osaka in 1999, Patrick O'Brien emphasized the role of hegemonic state as a provider of 'international public goods', such as free trade regime, the international monetary system, and peace¹⁹. He revealed the roles of Great Britain as hegemon in the long-nineteenth century. In the inter-war years, it is usually assumed that the influences of Great Britain and the British Empire tended to decline. However, I will pay special attention to the changing nature of the influence of the hegemonic state in the declining phase of power. In the 1930s, although the British Empire lost her all-round influence, it could still exercise a latent influence for the maintenance of international order. I will apply the concept of structural

¹⁷ A.G. Hopkins, 'Informal Empire in Argentina: an Alternative View', *Journal of Latin American Studies*, 26 (1994), pp.469-484 ; P.J. Cain and A.G. Hopkins, 'Afterword: The theory and practice of British imperialism', in Raymond E. Dumett (ed.), *Gentlemanly Capitalism and British Imperialism: The New Debate on Empire*, (London and New York, 1999), pp. 204-206.

¹⁸ Susan Strange, *States and Markets*, (London, 1988, second edition 1994), Chapter 2.

¹⁹ Patrick O'Brien, 'The Pax Britannica and the International Order 1688-1914', Shigeru Akita and Takeshi Matsuda (eds.), *The Proceedings of the Global History Workshop Osaka, 1999: Looking Back at the 20th Century; The Role of Hegemonic State and the Transformation of the Modern World-System*, (Osaka: Osaka University of Foreign Studies, 2000), chapter 3, pp.44-45.

power to interpret this unique position of the British Empire in international relations²⁰.

In regard to the 'International Order of Asia', the essential components of British presence in Asia consisted of the military power and the financial interests of the City of London. In this paper, I will explore the role of the British Empire as the structural power, focusing on both aspects in the case of China. First, at the next section II, I will deal with the military presence of Great Britain, especially the Indian Armies' dispatch to Shanghai in 1927. The Royal Navy and 'the Army in India' played important roles for the control of security in Asia since the early 19th century. 'The Army in India' consisted of two different types of armies, Indian Armies (approximately 150,000) and British (Imperial) Armies stationed in India (about 60,000). The former have often been dispatched overseas, to Asian and other non-European countries, in order to protect British economic and strategic interests. However, there often occurred controversies about the suitability of overseas deployment of Indian Armies, and the defrayal of its costs between the British government and the Government of India.

²⁰ Shigeru Akita, *Igirisu-Teikoku to Ajia Kokusai-Chitujo: Hegemoni-kokka kara Teikokutekina-Kouzouteki Kenryoku e* [The British Empire and International Order of Asia: From Hegemonic State to Imperial Structural Power](Nagoya: Nagoya University Press, 2003); Shigeru Akita, 'Teikokutekina-Kouzouteki Kenryoku: Igirisu-teikoku to Kokusai-Chitujo [Imperial Structural Power: the British Empire and International Order]', in Yuzo Yamamoto(ed.), *Teikoku no Kenkyu: Genri, Ruikei and Kankei* [A Study of Empire: Principle, Pattern and Relationship] (Nagoya: Nagoya University Press, 2003), chapter 7.

II The dispatch of Indian Armies to Shanghai in 1927: the Shanghai Defence Force

In this section, I first refer to the 'International Order of Asia' in the late 1920s as the prelude for the development in the 1930s. On 31 January 1927, the British government informed Chinese government in Beijing of the dispatch of 'the Shanghai Defence Force'. On 8 February at the opening session of the Houses of Parliament, the King announced this dispatch in his gracious speech that 'In consequence of what happened at Hankow and in other places, My Government have felt it necessary to dispatch to the Far East a sufficient force to protect the lives of My British and Indian subjects against mob violence and armed attack'.²¹ In early January 1927, British concessions in the middle courses of the Yangtze river, Hankow and Chiuchiang, were occupied by Kuomintang military forces, and British subjects were forced to evacuate to Shanghai. The dispatch of the Shanghai Defence Force was, therefore, a precautionary measure against the approach of the Kuomintang forces to the Shanghai International Settlement in their conquering advance to the Northern China²².

The Shanghai Defence Force consisted of the 20th Indian Mixed Infantry Brigade from Bombay and Calcutta (Indian contingent) as well as the 13th/14th British Infantry Brigades from Great Britain and the Mediterranean (British contingent). Before the arrival of these forces, the British government ordered an Indian battalion, which has been stationed in Hong Kong, to move to Shanghai, and it reached there on 27

²¹ His Majesty's Most Gracious Speech to the Houses of Parliament, 8 February 1927, Parliamentary Debates. Official Report. Fifth series, Vol.202 (1927), House of Commons, col.9.

²² As for the International Settlement of Shanghai in the inter-war years, see Harumi Goto-Shibata, *Japan and Britain in Shanghai 1925-31*, (Basingstoke, 1995) ; Robert Bickers, *Britain in China*, (Manchester, 1999), chapter 4 'Dismantling informal empire'.

January as an urgent countermeasure. The main strength of the 20th Indian Mixed Infantry Brigade were two British infantry battalions and two Panjabi native battalions. The Indian armies used to be deployed in Asian countries, especially in China since the Opium War of 1840-42. The Government of India and her military authorities quickly responded to the Imperial Government's request of borrowing armed forces. It was reported that the early arrival of the Indian battalion and the Indian contingent alleviated the pressures for the defence of the International Settlement and offered a sense of security to the British subjects as well as other foreign nationals. In February 1927, the number of the British contingent was 9,506 and the Indian contingent was 6,409 (British 2,252; Indian 4,157). In addition, according to Sir Austin Chamberlain, the Minister for Foreign Affairs, the Royal Navy sent 13 cruisers, 2 aircraft carriers, 20 destroyers, 17 river gunboats, 12 submarines and other small ships to the Chinese Waters by April 1927²³. Other Great Powers, including Japan, also dispatched naval forces to the Chinese waters, and the total number of foreign forces was approximately 23,700 by June 1927. The British military presence occupied a dominant position among these military forces, about 16,000 personnel, which reflected the position of Great Britain as the structural power in East Asia.

Prior to the final decision of sending the Shanghai Defence Force, the British government tried to persuade other Great Powers to form reinforcements. The International Settlement of Shanghai was under the administration of the Shanghai Municipal Council, and it declared the emergency on 21 March 1927. Under the conditions of cosmopolitan nature of the International Settlement, it was desirous to get military

²³ Shanghai Defence Force. Embarkation Strength of Personnel, 18 February 1927, M2126, I.O.L.C., L/MIL/7/19396.

cooperation from other Great Powers and to coordinate British diplomacy towards China, especially with Japan and the United States. At the Cabinet meeting of 17 January, Sir Austin Chamberlain decided to ask the Japanese government to dispatch a 4,000-strong force and to postpone the final decision for 48 hours pending information as to the attitude of Japan²⁴. However, on 21 January, the Japanese government refused to cooperate with the U.K., which resulted in the independent action of the British government²⁵. The British Minister to Japan, Sir J. Tilley later explained as follows; 'we do actually work together except that we differ as to the exact measures to be taken for the purpose. . . . she (also) hesitates because her vital interests are different from ours in that, . . . China accounts for 60 percent of her foreign trade and only 5 percent. of ours, and because the care of our respective nationals has not quite the same importance for her as for us. There is, therefore, a gulf between us which the efforts that we are constantly making have hitherto been unable to bridge. . . . I now doubt, therefore, whether the Japanese alliance would really have helped us greatly in the present difficulty.'²⁶

On the other hand, the British government expected a cooperation from another Great Power, the United States. They informed the U.S. of their intention of sending the Shanghai Defence Force at an earlier stage and sought for an implicit understanding with the U.S. Government. However, the United States was cautious to avoid an involvement in military intervention, while it ordered the U.S. Marines (1,200) to be on standby alert for any emergency and, later, dispatched reinforcements

²⁴ Telegram from Foreign Office to Sir J. Tilley, No.10, 17 January 1927, FO371/12449, No.7302.

²⁵ Telegram from Sir J. Tilley to Foreign Office, No.31, 21 January 1927, F600, in Ibid.

²⁶ Despatch. Sir J. Tilley to Sir Austen Chamberlain, 2 May 1927, F5531/2/10, FO371/12407/Jno.7771.

(2,300) from San Diego in March 1927. The British Minister to the U.S., Sir E. Howard reported as follows; 'the consensus of United States opinion inclines to favour a policy of extreme caution; legitimate United States interests are to be protected, but the United States Government must at all costs avoid identifying their policy in China with that of other foreign Powers.'²⁷ This attitude of the U.S. government was consistent with her liberal policies towards China about her initiative in restoring complete tariff autonomy to China, and the maintenance of 'the open door' with equal opportunity for trade in China. 'Without the active cooperation, or, at least, the open support and approval of other interested Powers, notably Japan and the United States of America'²⁸, the British government was forced to play the lonely game with Chinese nationalism in 1927 as the structural power.

As mentioned earlier, the main unit of the Shanghai Defence Force was the 20th Mixed Indian Brigade, dispatched from Bombay and Calcutta. However, this was the final overseas dispatch of Indian Armies in peace time before the Second World War. And it reflected the military value of Indian Armies within the British strategy of imperial defence at the times of an emergency. Originally, it was necessary to replace the dispatched battalions by other ones, when 'the Army in India' was deployed beyond Indian frontiers. But in this case, due to the financial difficulties in India and Great Britain and the emergent nature of Chinese events, it was impossible to make such a replacement in India, and it became imperative for the British government to shorten the periods of dispatch

²⁷ Telegram. Sir E. Howard to Sir Austen Chamberlain, 1 April 1927, F3479/2/10, FO371/12404, J.No.7771.

²⁸ Telegram to Sir M. Lampson(No.2), 4 August 1927, FO371/12408, No.7884.

as far as they could²⁹. Therefore, they groped for an early withdrawal of the Indian contingent of the Shanghai Defence Force, and at the Cabinet meeting of 6 July 1927, they decided to withdraw the 20th Indian Mixed Brigade after a heated debate³⁰. By the end of October, all battalions from India returned to their original bases in India.

There were several Parliamentary debates about the Shanghai Defence Force in the Houses of Parliament, especially focusing on the length of deployment and the defrayal of their expenses. In early February 1927, the India Office sent their refusal of payments for 'any part of the cost of troops sent from India for the defence of the Settlement at Shanghai' to the War Office³¹. The telegram enumerated the reasons as follows: (1) the Report of the Welby Commission in 1900 declared that India had only 'a modified interest in questions affecting China and the Malay Peninsula'. It would not justify the imposition on Indian revenue of any portion of the burden of cost of operations in China; (2) the whole cost of the China Expedition of 1900 was borne by His Majesty's Government as a precedent. The incidence of the cost of the Indian Mixed Brigade again became the subject of dispute in March between the India Office versus the War Office and the Exchequer. Lord Birkenhead, the Secretary of State for India, resisted the claim of the War Office on constitutional and equitable grounds, and 'also on the grounds of the smallness of Indian interests in China.' He referred to the Viceroy and the Government of India for their opinions. The Viceroy worried about the reaction from Indian opinions and responded that 'the effect would be

²⁹ Telegram from the Secretary of State for India to the Viceroy, 21 January 1927, F616, FO371/12449, No.7302.

³⁰ Cabinet 30 (27), 6 July 1927, F6148, FO371/12455, No.7312.

³¹ The Under Secretary of State for India to the Under Secretary of State, War Office, 9 February 1927, Financial F680/27, I.O.L.C., L/MIL/7/19408, M934.

very damaging and would hopelessly prejudice chance both of getting any sane discussion here on the general Army policy, and also any chance of inducing India gradually to be willing to take an increasing share of Imperial obligations and burdens'³². Finally, the British Cabinet decided not to impose the costs of the Indian Mixed Brigade on Indian finance on 23 March 1927, just a few days before the end of the session of the Indian Legislative Assembly. This was a highly political decision, reflecting the balance of Indian opinions against the overseas deployment of Indian Armies and the conditions of Indian and British finances to defray the charges.

On 17 August 1927, Sir V. Wellesley, the Assistant Under-Secretary of the Foreign Office, sent a Memorandum about the 'Use of force in China' to Sir M. Lampson, the British Minister in Beijing, in which he summarized the stance of the Foreign Office: 'There has, I think, never been any question that where British life was in danger force must be used, whatever the consequences. As regards the protection of British property, whatever may be theoretically the correct view, in practice it becomes a question of infinite complexity — for which it is impossible to lay down any guiding principle. . . . The reason why we sent the troops to Shanghai was the imminent danger to British lives and the impossibility of evacuation. The fact that 50% of our interests are concentrated in Shanghai was, of course, an important consideration, but the determining factor was essentially the unique position of Shanghai, the fact that it could be defended with little risk of unfortunate

³² Incidence of the Cost of the Indian Mixed Brigade of the Shanghai Defence Force. Cabinet. Secret. C.P.100(27), I.O.L.C., L/F/7/1360. Telegram from Viceroy to Secretary of State for India, 20 March 1927.

consequences'.³³ This memorandum shows implicitly the delicate nature of the Shanghai Defence Force, especially that of the protection of British property in Shanghai.

There were insightful British documents to suggest the linkage between the Shanghai Defence Force and British economic interests. The British Commercial Secretary in Shanghai, H.J. Brett, sent an interesting letter to the Commercial Counsellor in Beijing on 10 May 1927: 'I take it that from the home point of view, China is chiefly important (a) as a market for British goods, and (b) as a field for the profitable investment of British capital, . . . My own opinion is that the real importance of China to us is potential rather than actual, for she is undoubtedly the largest undeveloped market in the world, and the main reason (apart from any political considerations) for trying to keep our end up out here is that we may be in a position to get our fair share of the enormous trade that is bound to come sooner or later. From this point of view, the British firms, shipping companies, & etc., which have developed trade in China appear to me to constitute valuable assets which it is worth our while to protect not only for their own sakes but also with an eye to the future'.³⁴ This opinion was supported entirely by Sir M. Lampson. He also insisted as follows; 'British companies in China engaged in the business of local shipping, banking, insurance, shipbuilding, mining, and the big distributing companies who have built up-country wide organizations for the manufacture and sale of oil, tobacco, sugar and other commodities. These important but largely intangible financial interests which we have in China are apt to be overlooked. The real importance of maintaining

³³ Foreign Office Memorandum. Use of force in China. Sir V. Wellesley to Sir M. Lampson, 17 August 1927, F7023, FO371/12408, No.7884.

³⁴ Commercial Secretary, Shanghai, to Commercial Counsellor, Peking, 10 May 1927. Enclosure in No.1, F6353/1566/10, F4047, I.O.L.C., L/P&S/10/1201, File1,pt 16(1927).

and protecting British interests, as Mr. Brett points out, lies rather in the fact that China is, beyond question, the largest undeveloped market for British goods in the world, and that the existence of old-established and well-organized British trading communities in various parts of the country is an asset which, when normal conditions are restored, cannot fail to be of the greatest value to British merchants and manufacturers both in the United Kingdom and other parts of the British Empire.³⁵ These remarks of Brett and Lampson partly seemed to reflect the beginning of market penetration of British firms by direct investment in the interior of China³⁶. From these long quotations, we may identify the intimate connections between the deployment of military forces in Shanghai, British economic interests in China and the network of British expatriate businesses.

III British perceptions on Chinese industrialisation in the 1930s

Next, in order to understand British economic interests in China more clearly, I will look at the British perceptions of Chinese industrialisation, which started in the middle of the 1920s around Shanghai.

(1) The growth of Chinese cotton industries and the export of British capital goods

In September 1929, British Commercial Counsellor, H. H. Fox reported in the aftermath of China's recent political troubles as follows: 'during the recent troubled times in China the foreign-controlled settlements of Shanghai have been the one area within which life and

³⁵ Despatch. Sir M. Lampson to Sir Austen Chamberlain, No.569, 27 May 1927, F6353/1566/10, in Ibid.

³⁶ Juergen Osterhammel, 'Imperialism in Transition: British Business and the Chinese Authorities, 1931-37' (1984) and 'China', (1999).

property have been, comparatively speaking, safe and where confidence could be felt in the investment of capital, an immunity of which the Chinese themselves have taken full advantage. There has been in consequence a great concentration of wealth in the port, a rapid increase of population, and every incentive for establishing industries……Shanghai has now become, what at one time it was predicted Hankow would be, the industrial centre par excellence of China'.³⁷

Chinese cotton industry developed rapidly in the inter-war years. First, Chinese cotton-yarn production acquired a dominant position in the early 1920s in the domestic market, and from the middle of the 1920s, the competition for the Chinese cotton-piece goods market intensified between European, Japanese and local Chinese pieces as a triangular struggle. The share of British cotton piece goods declined heavily, and Japanese cloths increased their sales, although their turnover had been exceeded by local products by 1927. Therefore, there was a keen price competition within the Chinese cotton goods market. The British Commercial Report of 1928 on China mentioned the rivalry between British goods and Japanese goods for the middle range of quality goods and the rapid increase of Chinese production for the coarser quality goods. It also pointed out that 'the lot of the British piece-goods importer has been and still is further embarrassed by the greatly increased competition from local and Japanese mills, ……… and it is quite impossible for Lancashire to successfully compete with the eastern mills in some lines.'³⁸

³⁷ Department of Overseas Trade, Economic Conditions in China to September 1st, 1929. Report by H.H. Fox, assisted by H.J. Brett, (London, 1930), p.33.

³⁸ Department of Overseas Trade, Economic Conditions in China to September 1st, 1928. Report by H.H. Fox, (London, 1929), p.47.

On the other hand, the development of cotton and woolen industries led to the growth of imports of machinery and industrial plants in China. The Report of 1929 pointed out the vast potential of Chinese market for the export of capital goods: 'This country may within the next decade go far towards making herself independent of foreign supplies in the matter of clothing and foodstuffs, but it will be many years before she can attempt to make herself the various forms of delicate and complicated machinery which her industries will require. I can see no reason why Great Britain, if she can quote competitive prices and reasonably prompt deliveries, should not hold her own in the Chinese machinery market.'³⁹ The same expectations continued to grow in the 1930s. The Report of 1931-33 pointed out that 'the greatest market in China from now forward will undoubtedly consist mainly of capital goods, and the loss to our trade in consumable goods will, or can be, much more than offset by the volume of machinery and equipment we supply.' 'On the principle that the best markets of the United Kingdom are the most developed countries, progress in China should lead to increased imports of higher class goods, materials, machinery and equipment from the United Kingdom. It must therefore be in the ultimate interest of Great Britain to co-operate with the Chinese in the establishment of industries calculated to meet the needs of the masses'⁴⁰. In this sense, there existed a complimentary relationship between British exports of capital goods, especially machinery, and Chinese rapid industrialisation. This kind of economic relationship had first appeared at the turn of the twentieth century between Japan and the

³⁹ Department of Overseas Trade, Economic Conditions in China to September 1st, 1929, p.50.

⁴⁰ Department of Overseas Trade, Trade and Economic Conditions in China 1931-33. Report by Louis Beale and G. Clinton Pelham,(London,1933), pp.10-11, 81.

U.K.⁴¹ Now in the early 1930s, China started to follow the path of industrialisation after Japan, and there appeared two dynamic economic centres in East Asia⁴². In the 1930s, new exporters from Italy, Belgium and Czechoslovakia participated in the Chinese capital goods market. The competition for capital goods export to China became intensive, and China became one of the most price-oriented export markets in the world. The Report of 1930 pointed out that ‘the days of large profits in old-established lines of trade are gone, and only the closest co-operation between the manufacturer and the agent or merchant here can help British trade to regain its former pre-eminence.’⁴³

(2)The development of Chinese consumer goods export

At this initial stage of industrialisation, China began to export her home-produced consumer goods (cotton piece goods and matches) to the Straits Settlements, the Dutch East Indies, Egypt, Arabia and Morocco⁴⁴. In 1927, Chinese exports drastically increased and the Chinese trade deficit with the United Kingdom decreased to a great extent. In the early 1930s, this trend was hindered by the Great Depression and by the newly erected tariff barriers. However, even under such unfavourable conditions, Chinese exports to British India increased in the items of cotton yarns, piece-goods and raw silk, from 1.8 to 5.19 percent of the country share of Chinese exports. These home-produced consumer goods were also exported to Southeast Asian countries such as French

⁴¹ Shigeru Akita, ‘ “Gentlemanly capitalism” , intra-Asian trade and Japanese industrialisation at the turn of the last century’, Japan Forum, 8(1)(1996), pp.51-65.

⁴² Kaoru Sugihara, *Ajia kan Boeki no Keisei to Kozo* [The Formation and Structure of Intra- Asian Trade], (Kyoto: Mineruva Shobo, 1996), Chap.4.

⁴³ Department of Overseas Trade, *Economic Conditions in China to August 30th, 1930*, Report by E.G. Jamieson, (London, 1930), p.70.

⁴⁴ Department of Overseas Trade, *Economic Conditions in China to September 1st, 1928*, Industry and Production, p.36.

Indo-China, Siam, the Strait Settlements, the Dutch East Indies and the Philippines. In this period, to a limited extent, China became an exporter of light consumer goods, including hosiery, matches, soap, lamps and glasses, and their exports amounted to 6 million pounds in 1930⁴⁵. In 1931, the import value of raw cotton exceeded that of manufactured cotton goods for the first time in China. The British Reports highly estimated this trend as a phenomenon of the rapid development of Chinese cotton industry. This increase of Chinese export trade contributed to the development of intra-Asian trade in the 1930s.

In the inter-war years, the United Kingdom occupied the third position in the share of Chinese external trade, compared with its dominant position before the First World War. Japan and the United States engaged in a fierce competition for the biggest share. However, the share of the British Empire as a whole, including Hong Kong, British India, Australia and Canada, averaged about 35 percent, and occupied the top place in Chinese external trade in the 1930s, though its share tended to decrease. The Report of 1931-33 analysed the reasons for the competitiveness of Japan and the US and pointed out a linkage effect between the export trade and imports: 'They are by far the greatest importers of Chinese produce. Thus the trade between China and Japan, and China and the United States is a two-way trade. Together Japan and the United States of America normally take 40 percent of Chinese exports.'⁴⁶ The increase of imports from China led to more exports to China, and there was a correlation between import and export. In this sense, the expansion of Chinese export and increased absorption of

⁴⁵ Department of Overseas Trade, *Trade and Economic Conditions in China 1931-33*, p.8

⁴⁶ *Ibid.*, p.10.

Chinese goods provided foreign exchange with China, and they contributed to the servicing of Chinese debt. This report suggested the possibility of an acceleration of Chinese economic development, and expected that it might catch up with Japanese economic development.

(3) Tariff autonomy and the policies of the Chinese Nationalist Government

From 1 February 1929, the Chinese Nationalist Government recovered its tariff autonomy and raised the level of import tariffs for revenue purposes⁴⁷. The tone of the British Commercial Reports was sympathetic towards Chinese tariff policy. The import duties of 1931 were regarded as revenue tariffs, because the increase on capital goods was gradual and the rates for railway materials and machinery were reduced in order to encourage industrial development. In 1932-33, it became clear that the Chinese government had further raised the level of tariffs in order to protect domestic industries, although the rates for machinery and vehicles remained unchanged. This introduction of the so called “protection tariff” gave strong impetus to the domestic production of consumer goods and accelerated, to some extent, the import substitution. The Report of 1931-33 commented that ‘there is nothing to retard this development except China’s internal political situation, and it is reasonable to expect that with the growing national consciousness, the efforts already being made towards a settled economic policy will now be greatly accelerated.’⁴⁸ As far as the exports of British capital goods were

⁴⁷ Toru Kubo, Senkanki Chugoku Jiritsu eno Mosaku: Kanzei-Tsuka Seisaku to Keizai-hatten [China’s Quest for Sovereignty in the Inter-war Period: Tariff Policy and Economic Development], (Tokyo: Tokyo University Press, 1999).

⁴⁸ Department of Overseas Trade, Trade and Economic Conditions in China 1931-33, p.58.

guaranteed, they gave positive support to the policies of Chinese Nationalist Government. China was an emerging market where a high rate of economic growth was widely expected. Therefore, they worried about the intensive competition between the United States, Germany and the U.K. for capital goods exports, and became more sensitive to the declining share of British exports of capital goods.

Once the high expectations in the Chinese market turned to disappointment due to the poor record of British exports, it easily led to criticism to the economic policies of the Chinese Nationalist Government. For example, China's hasty import-substitution policies and its discriminative treatment of foreign capital were regarded as inopportune at a time when it was essential for China's development to be assisted by foreign countries, particularly by the United Kingdom. Moreover, the state-oriented industrialisation by the Nationalist Government of China⁴⁹ was criticized, as it was detrimental to the free access of Chinese entrepreneurs to the markets. The Report of 1931-33 expressed wariness of the excessive economic nationalism of the Nationalist Government. The barter trade of machinery between Germany and China was also criticized as a deviation from multi-lateral free trade⁵⁰. But British economic interests in China covered the more broader interests of service sector as well as the trading one.

⁴⁹ See Toru Kubo, 'China's Economic Development and the International Order in Asia, 1930s-50s', (paper submitted to the XIII Economic History Congress, Session 8, July 2002), section 1.

⁵⁰ Department of Overseas Trade, Trade and Economic Conditions in China 1933-1935. Report by A.H. George, (London, 1935), pp.2,32,34-35.

(4) Chinese currency reform in 1935 and British financial interests

China temporarily escaped from the severe impact of the Great Depression in 1929 due to her silver currency standard. However, after September 1931, the sterling, Indian rupee and Japanese yen seceded from the international gold standard one after another, and the value of Chinese currency relatively appreciated in terms of these currencies. This process was accentuated when the U.S. dollar followed the same course in April 1933. 'From October 1931 to May 1934, prices fell, trade was further handicapped by drought, famine, war and the loss of the Manchurian provinces, exports were reduced,.....the adverse balance of trade increased, and in 1932 for the first time for many years there was a net export of silver, reflecting the adverse balance of payments'. The Silver Purchase Act of the U.S. in June 1934 promoted the drain of silver from China, and the Chinese economy fell into a period of severe deflation. This monetary crisis had a very serious effect on imports. The Report of 1933-35 worried about this situation, because the U.K. had the paramount interest in China in every field of foreign economic activity, especially in British investments in China⁵¹, which reflected the position of the U.K. as the structural power in East Asia.

The currency reform by the Nationalist Government on 3 November 1935 overcame these difficulties and paved the way for further development of the Chinese economy⁵². As for the role played by the

⁵¹ Department of Overseas Trade, Trade and Economic Conditions in China 1933-1935, pp.72-80.

⁵² Arther N. Young, *China's Nation-Building Effort, 1927-1937: The Financial and Political Record*, (Stanford, 1971), Chapters 7 and 8 ; Yutaka Nozawa (ed.), *Chugoku no Heisei-Kaikaku to Kokusai-kankei* [Currency Reform in China (1935) and China's Relations with Japan, Britain and America], (Tokyo, 1981); As for American influence and Chinese responses, see Tomoko Shiroyama, 'China's Relations with the International Financial System in the 20th Century: Historical Analysis and Contemporary Implication', (paper submitted to the XIII Economic History Congress, Session 8, July 2002).

United Kingdom in Chinese currency reform, there is an academic debate about the following subjects: (1) the initiative of Chinese government and its relation with the Leith-Ross Mission in 1935, and (2) the implications of the international rivalry of the great powers for the currency reform⁵³. Here, I will try to reveal briefly the original British intentions for the currency reform in China. In April 1935, the British trading and financial interests in China requested their home government to take an initiative in a crisis of China as follows : 'The present crisis in Chinese currency and finance offers H.M.G. an opportunity of offering constructive assistance in a manner which will both alleviate the financial difficulties of China and bring Great Britain more actively in to the field. A British initiative taken today will appear, not as a protest against encroachment on British interests and, therefore, not as a hostile move against either party in the Far East, but as a realistic measure designed for practical ends.'⁵⁴

The British government decided to dispatch Sir F. Leith-Ross, the chief economic adviser to the British government, to China in June 1935. Before his departure to China, Leith-Ross exchanged several notes with Montagu Norman, the Governor of the Bank of England. Through their exchange of opinions, we can guess the original aims of British government. In response to the points raised in Leith-Ross's 'Question on China', the Governor carefully replied as follows;

⁵³ Cain and Hopkins, *op.cit.*, Chap.25; Shigeru Akita, 'British informal empire in East Asia, 1880-1939: a Japanese perspective', in Raymond E. Dumett (ed.), *op. cit.*, Chap.6 ; Peter Cain, 'British Economic Imperialism in China in the 1930s: The Leith-Ross Mission', *Bulletin of Asia-Pacific Studies*, Vol.VII(1997).

⁵⁴ Bank of England Archive, G1/298, 2524/5, The Note Presented to the Chancellor of the Exchequer, 3rd April 1935, 'Note on Policy in China'.

[Question] (1) If the Chinese Government decided to abandon silver, should her currency be linked with gold, sterling or yen?;

[Answer] Linking to sterling would be best, and the Sterling Exchange Standard would be the best solution with a rate not above 1s/2d. It seems most probable that they [Japan and the United States] would refuse financial assistance to inaugurate a sterling scheme, whereas China would probably regard a loan as a necessary condition;

[Question] (2) Is it indispensable for China to raise a foreign loan or credit before attempting to place the dollar on a foreign currency basis?;

[Answer] It may be necessary to provide China by means of a loan with (a) the substantial external cushion, and (b) the means of effectively regulating their exchange.⁵⁵

The Governor seemed to suggest three related but 'opposing' targets to Leith-Ross: (1) the search for the possibility of a sterling exchange standard, (2) the effective cooperation of the four powers of the international consortium to China, and (3) the exercise of strong influence over the Chinese Nationalist Government. In trying to create 'the rules of the game' in international finance of China, Britain had to pay much attention to the reactions from Japan and, especially, from the United States, whose silver purchasing policy had greatly influenced the need for currency reform. The Governor also agreed that 'trading interests were very important and he thought it quite likely that the trading interests of this country desired H.M.G. to follow a much stronger policy than

⁵⁵ Bank of England Archive, OV104/1 3138-2, 38A, 38B and G1/300 2525/2, Confidential. From Leith-Ross to the Governor, 'Question on China', 3 July 1935. ; OV104/1 3138-2, 43A, Confidential. 'Provisional Answers to Questionnaire on China', 17 July 1935.

hitherto'⁵⁶. These original intentions of the British government for the Chinese currency reform reflected the mixed character of British economic interests in China.

The currency reform led not only to the stability of the Chinese currency and its exchange rate, but also to the enlargement of the central government's authority. It enabled the government in Nanking to consolidate external debts and to solve the defaults of Chinese railway loans. Therefore, the rating of the Chinese government in international money markets was improved to a great extent. The Report of 1935-37 appreciated the success of the currency reform and commented in an optimistic manner that : 'The outstanding feature is the increasing and justified confidence which the Chinese themselves, as well as the world at large, have in the future of this country,.....the magnitude of China's needs in her economic development.....communications, industries, and technical skill.....provide an opportunity for the United Kingdom to contribute to the building up of a modern China on sound foundations, a task of the greatest importance and value to China and to the rest of the world. It is for us to grasp the opportunity by assisting China in the fields of planning and creating her public utilities, communications and basic industries'⁵⁷. These remarks mirrored the economic positions of the U.K. and the British Empire, which dominated Chinese external trade and foreign investments in China.

⁵⁶ Bank of England Archive, G1/300 2525/2, 14A. CHINA, 24 July 1935.

⁵⁷ Department of Overseas Trade, Report on Economic and Commercial Conditions in China, by Sir Louis Beale, April 1935-March 1937, (London, 1937), pp.5-6.

IV Concluding remarks

Finally I would like to sum up my arguments as follows. First, China was a hopeful export market for the British capital goods, especially textile machinery in the inter-war years. From the British point of view, the beginning of Chinese economic development was a type of export-induced industrialisation for British exports, which had been the case for Japan at the turn of the twentieth century. British Commercial Reports on China emphasized the potential of the vast Chinese market and the keen competitions for capital goods exports among the Great Powers as well as for consumer goods from Chinese domestic industries. This sensitive observation seemed to reflect the importance of Chinese imports market for British capital goods industries. In the 1930s, the economic development in China centred around Shanghai, especially the foreign controlled International Settlement, where the U.K. had paramount financial and service interests. The Chinese currency reform in 1935 was important not only for the Nationalist Government but also for the British economic interests in order to exert and maintain its financial influence. Therefore, we can identify in the inter-war years a very unique complementary relationship between British economic interests and industrialisation in China: that is, (1) complementarity between the export of British capital goods and Chinese industrialisation; (2) complementarity between British financial interests (Gentlemanly Capitalism) and the financial needs of China.

Second, we can also find the role of the British Empire as the structural power in East Asia. I tried to present British reaction to Chinese nationalism in Shanghai in 1927 as a test case for the demonstration of the structural power. The British government set 'the

rules of the game' for defending Shanghai and provided the major military forces for the defence of the International Settlement. The uniqueness of the British reaction was the deployment of Indian Armies (the Army in India) as measures of countervailing forces. However, the financial stringency in India as well as in the U.K. forced the British government to withdraw the Shanghai Defence Force as soon as they could. They also had to worry about the reactions from Indian nationalism against using the Indian Armies overseas. But they could manage to defend their economic interests in China and took the leadership for maintaining the international order in East Asia. In this sense, the British Empire was the declining power in the field of the military (security), but it still exercised a dominant influence in the financial and service sectors, and played an important role for the formation of the industrialisation-based international order of Asia in the inter-war years. Therefore, we may interpret it in the 1930s as 'imperial structural power'.

Table III-1: The Direction of China's Foreign Trade in the early 1930s (In thousands of Haikwan taels)

Country	Net Imports						Net Exports					
	1929		1930		1931		1929		1930		1931	
	Hk. Tls.	%	Hk. Tls.	%	Hk. Tls.	%	Hk. Tls.	%	Hk. Tls.	%	Hk. Tls.	%
British India	54,180	4.28%	132,093	10.09%	84,989	5.93%	17,815	1.75%	16,953	1.89%	18,118	1.99%
Canada	38,413	3.03%	13,488	1.03%	22,572	1.57%	2,160	0.21%	3,491	0.39%	3,736	0.41%
France	18,044	1.43%	16,758	1.28%	21,420	1.49%	56,319	5.54%	42,700	4.77%	34,111	3.75%
French Indo-China	14,263	1.13%	27,831	2.12%	11,364	0.79%	5,754	0.57%	3,882	0.43%	2,394	0.26%
Germany	66,753	5.27%	68,799	5.25%	83,168	5.80%	22,458	2.21%	23,361	2.61%	23,138	2.54%
Great Britain	118,657	9.37%	107,118	8.18%	119,344	8.33%	74,334	7.32%	62,669	7.00%	64,526	7.09%
Hong Kong	210,412	16.62%	211,423	16.14%	218,170	15.22%	173,581	17.09%	158,018	17.66%	148,312	16.31%
Japan (incl. Taiwan)	319,075	25.21%	322,303	24.61%	290,386	20.26%	256,428	25.25%	216,555	24.20%	264,956	29.13%
Korea	14,868	1.17%	13,022	0.99%	10,069	0.70%	39,784	3.92%	44,175	4.94%	29,631	3.26%
Netherlands	11,826	0.93%	10,627	0.81%	13,493	0.94%	39,543	3.89%	44,944	5.02%	49,528	5.45%
Netherlands India	54,262	4.29%	47,450	3.62%	54,201	3.78%	12,459	1.23%	11,707	1.31%	12,987	1.43%
Straits Settlements	11,096	0.88%	8,831	0.67%	8,390	0.59%	23,560	2.32%	19,177	2.14%	15,916	1.75%
USA	230,109	18.18%	231,653	17.69%	320,266	22.34%	137,836	13.57%	131,880	14.74%	120,205	13.22%
USSR (Russia)	18,148	1.43%	18,461	1.41%	24,565	1.71%	55,986	5.51%	55,413	6.19%	54,657	6.01%
Other Countries	85,673	6.77%	79,899	6.10%	151,092	10.54%	97,670	9.62%	59,919	6.70%	67,261	7.40%
Total	1,265,779	100.00%	1,309,756	100.00%	1,433,489	100.00%	1,015,687	100.00%	894,844	100.00%	909,476	100.00%

Source: China. *Maritime Customs, Trade Reports for the Year 1931*, Vol. I, p. 41.
 These are all current figures, and not adjusted by constant figures.

Table III-2: The Distribution of China's Foreign Trade in the middle of the 1930s (In thousands of standard dollars)

Country	Net Imports								Net Exports							
	1935		1936		1937		1938		1935		1936		1937		1938	
	St. \$	%	St. \$	%	St. \$	%	St. \$	%	St. \$	%	St. \$	%	St. \$	%	St. \$	%
British India	35,470	3.86	24,712	2.63	12,467	1.30	16,214	1.81	20,328	3.53	18,685	2.65	11,791	1.41	19,720	2.58
Burma	----	---	----	---	8,220	0.86	12,801	1.43	----	---	----	---	4,503	0.54	4,661	0.61
Canada	20,413	2.22	19,782	2.10	17,093	1.79	7,872	0.88	4,198	0.73	5,270	0.75	7,091	0.85	3,675	0.48
France	13,336	1.45	18,311	1.94	15,106	1.58	18,304	2.05	29,243	5.08	30,388	4.31	32,643	3.89	20,402	2.67
French Indo-China	59,648	6.49	17,922	1.90	29,991	3.14	27,351	3.06	5,643	0.98	9,891	1.40	12,827	1.53	15,816	2.07
Germany	103,184	11.22	150,051	15.94	146,374	15.31	112,939	12.64	28,926	5.02	39,173	5.55	72,477	8.64	56,440	7.39
Great Britain	98,070	10.67	110,332	11.72	111,695	11.68	70,606	7.90	49,458	8.59	64,882	9.19	80,380	9.58	56,769	7.43
Hong Kong	16,816	1.83	16,554	1.76	19,078	2.00	24,589	2.75	94,502	16.41	105,979	15.02	162,904	19.42	243,395	31.87
Japan	139,320	15.16	153,369	16.29	150,432	15.73	209,864	23.49	82,047	14.25	101,947	14.45	84,306	10.05	116,547	15.26
Korea	2,738	0.30	2,931	0.31	2,346	0.25	5,577	0.62	11,564	2.01	9,740	1.38	7,712	0.92	6,873	0.90
Netherlands	4,509	0.49	4,763	0.51	6,053	0.63	4,640	0.52	15,251	2.65	16,546	2.34	14,261	1.70	8,170	1.07
Netherlands India	58,345	6.35	74,359	7.90	80,718	8.44	45,744	5.12	4,987	0.87	4,733	0.67	6,228	0.74	6,664	0.87
Straits Settlements	10,245	1.11	10,761	1.14	10,362	1.08	7,313	0.82	12,896	2.23	15,644	2.22	19,213	2.29	17,546	2.30
USA	174,678	19.00	185,134	19.66	188,859	19.75	151,254	16.93	136,394	23.69	186,320	26.4	231,449	27.59	86,853	11.37
USSR (Russia)	7,687	0.84	1,221	0.13	704	0.07	5,491	0.61	4,239	0.74	4,210	0.60	4,915	0.58	613	0.08
Other Countries	174,752	19.01	151,342	16.07	175,795	16.39	172,941	19.37	76,133	13.22	92,333	13.07	86,070	10.27	99,587	13.05
Total	919,211	100.00	941,544	100.00	956,234	100.00	893,500	100.00	575,809	100.00	705,741	100.00	838,770	100.00	763,731	100.00

Source: China. *Maritime Customs, Trade Reports for the Years 1936*, Vol. I, p.55 and *1938*, p.35.
 These are all current figures, and not adjusted by constant figures.