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A BUSINESSMAN'S VIEW  
OF THE  
LYTTON REPORT

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By

CHOKIURO KADONO

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## PREFACE

# A BUSINESSMAN'S VIEW OF THE LYTTON REPORT

By

CHOKIURO KADONO

## PREFACE

The November issue of the *Gaiko Jiho*, the leading monthly magazine devoted to world affairs, contains an article on the Lytton Report by Mr Chokiuro Kadono. I found it very interesting, so I at once wrote the eminent writer for his permission to have it translated for inclusion in the *Herald of Asia* Library of Contemporary History series. The return post brought me not only Mr. Kadono's kind accession to my request but, what was most welcome, a typed copy of the original text in English written by himself. The result is the present volume forming the eleventh of the series.

Mr. C. Kadono as a writer is probably new to the foreign public, though this is by no means the first time that enlightening productions of his well stored mind have embellished the pages of our periodical press. Of course he is well known to a large circle of his friends and acquaintances in Europe and America as one of the leading figures in the business world of Japan, as the right hand man to the late Baron Kihachiro Okura and as the surviving pillar of the well-known firm of Okura & Partners with world-wide ramifications. Responsible for vast interests in China and Manchuria in addition to those in Japan, Mr. Kadono, a highly cultured man, has made an intimate study of the continental affairs from various angles. His views and suggestions are, consequently, widely sought after not only by men interested in industrial

and economic enterprises on the continent, but by men of affairs in general.

His present contribution to the discussion of the Report submitted to the League of Nations by the Lytton Commission, will be found worthy of attention for more than one reason. What he says on the industrial resources of Manchuria, for instance, commands attention, because it is based on his own personal knowledge and experience; nor is his testimony less important when he discusses the popular Chinese attitude toward Manchukuo, because he commands a wide range of information regarding China and Chinese. But to me the most interesting part of his discourse is his analysis and description of the course of Chinese political history since the Revolution of 1912. No doubt one of the most important cause of the chaotic conditions in China during the past twenty years, was the ease with which the revolution was accomplished. The fact is that the imperial regime of the Ching Dynasty was like an edifice eaten by white ants; it was ready to crumble down at the touch of a finger, as it actually did without any fighting worthy of the name on the part of the revolutionists. The ease with which the change took place was in fact a surprise to the revolutionists themselves. The result was that the revolutionary movement had not had time and opportunity to develop a sufficient group of strong and unselfish leaders to undertake the task of reconstruction such as the long and sanguinary movement culminating in the Restoration of 1868 had produced in Japan. The inevitable result, as correctly pointed out by

Mr. Kadono, was that China was delivered over to the tender mercy of unprincipled and self-aggrandizing warlords and politicians who have given no chance to their unfortunate victims to make any effective move towards progress and unification. Unfortunately, therefore, I have to agree with Mr. Kadono in believing that the Chinese will have to cover a long distance yet to come in sight of a real national rehabilitation. In the meanwhile the chronic malady eating into the very vitals of China, constitutes a perpetual menace to security and peaceful progress in the Far East. The danger spot is not in Manchuria, but in China itself. It is a pity that the League is only busying itself with the consequences of a local and incidental manifestation of the disease instead of treating it at its source.

MOTOSADA ZUMOTO

Tokyo, December, 1932.

# A BUSINESSMAN'S VIEW OF THE LYTTON REPORT

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## 1. Introduction

I feel profound respect for the great pains which the League of Nations Commission of Enquiry headed by Lord Lytton took to fulfill the important mission with which it was entrusted. It conducted for a period of nearly half a year a survey of conditions in China and Manchuria and investigated the causes of the disputes in the Far East. I regret, however, to have to say that I find it difficult to agree with the result of its study as presented in the Report submitted to the League.

## 2. Japan's Chinese Policy

One of the chief prerequisites to a fruitful study of the Far Eastern disputes, is to attain a clear conception of the Japanese policy in China. It is hardly an exaggeration to say that Japan's foreign policy during the past half century has consisted in the maintenance of peace in the Far East and the open door in China with a view to ultimate progress and advancement of the peoples of Eastern Asia. It was with this basic aim in view or as steps to its attainment that the Anglo-Japanese alliance and other political treaties concerning the Far East have been concluded, and it was

also to the same end that we have had to fight a succession of sanguinary wars. What we have all along expected of China, was that she would achieve progress and stability so as to be able to offer a whole-hearted cooperation with us in maintaining peace and order in the Far East. It is scarcely necessary to emphasise the fact that Japan has always been most heartily in sympathy with China's peaceful development; nor has she ever refused to do her share in upholding it, as abundantly proved by historical incidents. There is, therefore, no reason whatever that Japan should apply any pressure upon China that might tend to prejudice China's free development; nor has there ever been any such attempt on Japan's part.

### 3. China's Characteristics

I shall next try to make a brief analysis of China's characteristic political development. China covers a vast area of the earth's surface and has developed a unique civilisation which has lasted several thousand years. But its political history is made up of a succession of dynastic revolutions, each dynasty being set up as a sort of a family concern by a successful soldier who simply imposed himself upon the people as sovereign at the point of the sword. Another significant fact to be remembered is that the vast extent of territory designated as China on the map of Asia, has never been unified during all these thousands of years, except on a few occasions and then only for very short periods. The people of China, consequently, have

always lacked the consciousness of a united political entity. Nor is there any record in her history of a Government that ever succeeded in extending its administrative authority to the four corners of its dominion. Look, for instance, at the Ching Dynasty, which forms one of the brightest epochs in the political history of China. Even under that dynasty, especially during the latter days of its existence, its imperial family only maintained its dignity by inertia owing to its initial vigour, the actual governmental authority being exercised by Provincial authorities, civil and military, according to the traditional practice and usage of each locality. As for the people at large, owing to continuous exploitation by those in authority and in consequence of a political philosophy peculiar to China, they have developed, except those aspiring to official careers, a feeling of repugnance to politics and a habitual tendency to try to keep official interference at arm's length. The inevitable result has been the emergence of a strong type of individualism which relies only upon self protection. This spirit of self reliance unites the household, and spreading through the family ramifications to the village at large, it has led to the growth of a strong spirit of communal solidarity. The Chinese people, therefore, look upon the governmental machinery as a device for exploitation by the emperor and his officials. Their idea of country is limited to a communal consciousness circumscribed within the confines of a province. There are, it is true, references in Chinese literature to China as a country and a nation, but the Chinese people as

a whole are conspicuously innocent of a national consciousness in the true sense of the term or of the power to unite for national purposes.

#### 4. The Significance of the Chinese Revolution

From what has been said, it will have been noticed how difficult it is for other nationals to understand her history, her national conditions and characteristics. To make it still worse, the revolution of 1912 spread the seeds of confusion all over the country. Up to that moment, the Imperial dynasty of Ching, though owing its existence to historical inertia, was still an object of respect throughout the country. Then the revolution took place all of a sudden. Started through an accidental cause, it did not rest upon a widespread understanding among the people; nor was it accomplished according to a plan consciously worked out by an organised political body. The men who were known at the time as revolutionaries were simply men opposed to the Manchu Dynasty. There were not among them any man of calibre equal to the task of building up a new revolutionary state. So the only thing they could do was to turn over the whole responsibility of government to Yuan Shin-kai, the strongest surviving military chieftain of the overturned regime. And what did Yuan Shih-kai do? Instead of devoting his energy to the attainment of national unity and reconstruction, he made it his aim to perpetuate his authority and power by purchasing the support of the leading militarists in the Provinces by bribery of one form or

another. The inevitable result was that Yuan's selfish policy tended to encourage a growing attitude of independence and arrogance on the part of the provincial war-lords. The latter not only began to nurse aspirations for power on a wider stage, but by continued strife and competition among themselves, they incidentally helped to undermine the prestige of the Central Government. It was in this way that for a period of about twelve years after the Revolution China was torn into a number of warring sections each striving to gain control of the Central Government. The conditions in China thus clearly showed that she was not qualified as a united nation. But this fact was not well known to the world when the Washington Conference was held in 1922. In any event that conference did not take cognizance of this fact, and it seems to have proceeded on the assumption that China's unification and recovery would be attained in good time.

### 5. Since the Nationalist Revolution

During this period, however, it is only fair to observe that it was usual for the rival contestants for power to try to justify their military activities by reference to questions connected with the successive constitutional enactments or national assemblies. The internecine strifes, at least seemingly, turned round certain central points and along recognised orbits. All this was changed by Feng Yu-hsiang's *coup d'etat* in 1924, when the Central Government was overturned and with it went

all the constitutional statutes. Thus was ushered in a new period of internal confusion, characterised by wars which were openly waged for personal aggrandizement without any attempt at justifying them by reference to the authority of law or ordinance. The result was that the civil strife now became multi-angled, the military chiefs in the various parts of the country being now occupied in extending their own individual power by means of increased armament and arts of popular enchantment. The Central Government at Peking more than once went out of existence both in name and substance. The tragedy was then by no means uncommon of Presidents, Prime Ministers and Chief Executives flying from Peking with bare life to take refuge at Tientsin. At this juncture, the Kuomintang, which had long been nursing its strength in the South, began to march its well trained army into the Yangtze basin with the new slogan of the nationalist revolution. After subduing Middle China, the Kuomintang forces extended its sway even to North China, resulting in the establishment of the Kuomintang Government at Nanking in 1928. So far as appearances went, it looked for a time as though the principle of government by the party had won the day, with a united China at last a reality.

## 6. China's Revolutionary Diplomacy

The China that thus emerged out of the Kuomintang victory, was essentially different from the China that existed at the time of the Washington Conference

in 1922. All the national covenants regulating the organic system of the country had been blotted out of existence, together with all the traditions of discipline which constitute the fountain source of national power and authority. The Kuomintang and its army, supported by sheer force, intimidation and propaganda, were the master of China. It was, indeed, an epochmaking transformation. Moreover, the Kuomintang had already adopted the policy embodied in the slogans of "embracing communism" and "allying with Soviet Russia," and accepted from the latter not only the supply of funds and advisers but guiding principles. In military strategy and political workmanship, the Kuomintang followed all the procedures of communist revolution. At home, for instance, it confiscated land, property, and industry, while abroad it tried to carry out the so-called revolutionary diplomacy, giving emphasis to the slogan of "down with imperialism and unequal treaties." The first Power to feel the brunt of the policy of revolutionary diplomacy was Great Britain with a long and glorious record in China. It is still fresh in the memory of the world that Great Britain had to despatch to Shanghai an army of 15,000 men for the protection of her rights and prestige.

## **7. Treaty Repudiation and Closed Door**

Let us now consider the real nature of the revolutionary diplomacy. You may perhaps look upon the slogan of "down with imperialism and unequal treaties" as an expression of the awaking national con-

sciousness of the Chinese people. It is, however, important to bear in mind that this is nothing but a cry for the world revolution backed by the Third International. In other words it is the guiding principle of the Kuomintang to carry out a one-sided renunciation of international treaties, to take away by revolutionary methods the position and rights legitimately acquired by the foreign Powers and their nationals in China, and finally to shut the door against the world. The Kuomintang apparently believe that in carrying out such a policy they prove themselves loyal believers in Sun Yat-sen's principles of "embracing communism" and "allying with Soviet Russia." In carrying out the anti-foreign tactics mentioned above, the Kuomintang did not apply it against all the Powers at the same time. Following the policy of "divide and govern," it first applied it against Great Britain, as already mentioned, and the next Power to suffer has been Japan. Now it must be remembered that the existing treaties and the special political and economic relations between China and the Powers, have all been legitimately established during the past eighty years in view of the special conditions in China and of special international incidents. They have all these long years been legally and smoothly applied, to the mutual advantage of both sides. There is, therefore, no justification, in spite of whatever changes may have intervened in China's political situation, for unilateral and revolutionary repudiation of these treaties and agreements. Should such drastic and illegal measures be suffered to pass, the result would mean the over-

turning of the very foundation of international relations and an incalculable menace to the peace of the world. Japan has, consequently, endeavoured with great patience and sacrifices to induce China to return to a normal international policy, so that the sanctity of international treaties may be maintained and peace secured in the Far East. In particular Japan has done much to uphold the open door in China and prevent her sovietization.

### **8. Boycott as an International War**

But the ruling class in China has not only stoutly refused to appreciate Japan's sincerity but has intensified the vigour of its revolutionary diplomacy by carrying out a violent boycott against us. Boycotts in Europe and America do not usually overstep the limits and needs of economic competition. But the anti-Japanese boycott as practised in China is essentially a mode of international warfare. It is as such that its execution is instigated, planned and enforced by the ruling class in China. In the name of boycott vast quantities of Japanese goods have been forcibly seized or burnt in open defiance of law and treaty. All business dealings with the Japanese were prohibited by compulsion to the extent of cutting off the supply of daily necessities of life to the Japanese residents. As for the Chinese dealing in Japanese merchandise, they were subject to most cruel and degrading forms of lynching. Lastly the severance of all economic relations with Japan was proclaimed by the sponsors of

the boycott, whose declared object was thereby to starve and bankrupt the Japanese nation. It was clearly tantamount not only to a declaration of war upon Japan but to the actual prosecution of warlike acts. The only difference from actual warfare was the absence of firing by armed forces. All this while Japan never offered armed resistance. The great patience Japan has shown in this connection, in spite of the incalculable damage inflicted upon her trade and industry, finds few precedents in the long history of international intercourse.

### **9. Lytton Report Lacking in Factual Understanding**

In this way China succeeded in embittering the relation between her and Japan, and in setting the stage ready for complications in the Far East. It was, we must remember, with such a situation for its background, that the September 18th incident of last year took place, leading to the dispute now engaging the attention of the League of Nations. In the light of these historical facts, it is a source of deep regret to me that the Lytton Report reveals singular defects of understanding concerning the peculiar characteristics of China's historical development as well as the realities of her present condition. Equally regrettable is the Commission's failure to investigate the actual status of the present relations between Japan and China, which has naturally made them contented with a horizontal view of the whole problem, thoughtlessly placing the

two parties to the dispute on the same plane. Had the commission taken the trouble to familiarise themselves with a vertical view of China, such as I have tried to present, their Report would have been free from the partiality and inconsistencies that unfortunately disfigure its pages; nor would their conclusions have been so far apart from the realities of the case as to invite the criticism that they are an idle talk incapable of practical application. Apart from these general observations on the Lytton Report, I do not feel it necessary for me to attempt detailed examination chapter by chapter.

To make the long story short, China's conditions, as pointed out so far, have changed in character all along the line since the time when the Nine Power Treaty was concluded. China is no longer an organised state ruled by a single government. With no constitutional laws to base government upon and with no machinery to enact such laws, China's so-called national government is a despotic administration by one party, deriving its power and sanction from force and propaganda as well as from the private activities of its party organizations. As it is, its authority is confined within the borders of a few Provinces in Central China. In the North and the South, there are separate governments that do not acknowledge allegiance to the Central Government. Of late, moreover, there are signs of fresh political complications in different parts of the country. All this seems to point to the fact that China's unification is not yet in sight. Time certainly does not seem near at hand, when, freed

from recurrent internecine strife, China will be able to qualify as an organized state capable of discharging her international obligations and doing her share in the work of promoting peace and progress in the world.

### 10. Manchuria as a World Market

I shall now say a word about the Manchurian question. The Lytton Report, it seems to me, is open to criticism on three points; namely, (1) that it shows a lack of right understanding concerning the outbreak of the Manchurian trouble; (2) that it errs in its judgment on the closeness of Japan's relations with Manchuria; and (3) that it is defective in its study of the economic value of Manchuria.

I do not consider it necessary for me to enter at any length upon the history of the Japanese-Manchurian relations or upon the origin and nature of the present Manchurian affair. It may not, however, be out of place for me to offer a remark or two upon the prospect of economic development in Manchuria, as I have had considerable personal experience in this field together with my late senior partner, Baron Kihachiro Okura, who made no small contribution to the development of industry not only in Manchuria but in China proper. It is a well known fact that, thanks to the assistance of the Japanese people and also due to the maintenance of the policy of the open door by Japan, Manchuria has already made a wonderful progress in the development of its economic resources. There are good reasons to feel confident that Man-

churia's industrial progress will be something prodigious. Take, for instance, the future prospect of the two basic industries of coal and iron, to which the Lytton Report makes a reference (Chapter VIII). There are enormous coal deposits in Manchuria, especially at Fushun and Hsinchiu. The quantity of the Manchurian coal exported to Japan has so far been rather small, it being about two million tons a year, which is less than 10 per cent of the yearly output of coal in Japan. The figure is, however, bound to increase very much in future, because the coal deposits in Japan are being rapidly exhausted and the growing depth of pits increases the cost of production. As for the iron industry about which the Lytton Report makes a rather discouraging reference, those who know the actual conditions entertain no doubt as to its future. Take the works at Peuchihu, for instance, in which my firm has the controlling interest, it is supplying Japan with pig-iron of superior quality, and it is by no means a losing concern. As for the Anshan Works, it worked at a loss, as hinted in the Lytton Report, but that was during the experimental stage, and it is now no longer losing. With constant improvement in the method of treatment as well as in market conditions, there is little room for doubt that the future of these two basic industries in Manchuria is fairly assured.

As has been officially declared by the Imperial Government more than once, Japan entertains no territorial ambitions in Manchuria. She has given formal recognition to Manchuria as an independent state, with a view to assuring it full opportunity for

growth and organization. Japan has also offered definite engagement to see that the principle of the open door and equal opportunity shall be faithfully carried out. In taking this line of policy Japan was actuated by a desire to conform to Manchukuo's ardent aspiration. At the same time Japan hopes thereby to rescue Manchukuo from the ravages of China's internal disorders and give it opportunity to attain free development, so that it may be able to play its part in easing the world's economic difficulty by offering a very safe and valuable market in the Far East. This aspect of Japan's policy should have been quite clear to the Lytton Commission. But unfortunately the Lytton Report makes an altogether inadequate estimate of Manchuria's economic value, and entirely fails to do justice to the aforementioned motive of Japan in recognising Manchukuo. This, I deeply regret to say, is but one of the instances in which the Report is unfair.

### 11. Japan's Anxiety

It cannot be too strongly stated that, notwithstanding the present unfortunate state of things in China and in spite of recognising Manchukuo, Japan does not by any means intend to give up her sincere sympathy with China and her people. I feel no hesitation in saying that we yield to no other nation in the world in the intensity of our wish to see China wake up to her great position as a self-reliant and progressive cooperator with us in the maintenance of peace in

the Far East. The Chinese as a race are essentially peace-loving, open hearted and tolerant. We know this historical fact better than any other nation, and we, consequently, have greater confidence in them than any other nation. It will, therefore, be easily understood that Japan harbours no design to quarrel with China and destroy our natural relationship of amity with her. It is Japan's sincere wish to restore her normal relations with China, so that the two great nations may take their natural positions side by side in their common effort to promote the economic development of Eastern Asia. The restoration of normal relations between them will, however, be difficult so long as the militarist and political leaders in China persist in devising dangerous policies contrary to the original character of their people, and so long as they stick to revolutionary diplomacy, particularly a violent anti-Japanese policy, as a means of attaining their ends in internal politics. Japan's anxiety; therefore, is that, as soon as improvement in China's domestic contentions permits a subsidence of the violent anti-foreign policy, she may be given opportunity to offer her effective sympathy to China in regard to the task of constructive rehabilitation.

## **12. Attitude of the League of Nations**

The birth of Manchukuo, I am convinced, will offer a very favourable stimulus to the restoration of normal conditions in China. The bulk of the people who have taken part in the creation of the new state are

Chinese, and their success in the work of organising a unified country, will not fail to stir up their brethren in China to emulate their example. Manchukuo's success will thus be a standing guide-post to the people of China in prosecuting their great work of national reconstruction. In this connection it is interesting to notice that, since Japan's recognition of Manchukuo, the masses in China, so far from crying for the recovery of the lost territory, are waiting for an opportunity to migrate to Manchukuo in search of better chances for safe and free life, as soon as conditions there settle down. Among the educated classes also there is an increasing tendency to express a desire to serve under the Manchukuo Government. From these and other facts, there is reason to believe that the masses of people in China do not feel particular resentment at the independence of Manchuria. Only among the ruling classes, there are people who in view of the public stand they have taken find themselves in an awkward position in regard to Manchukuo. Facts like these, I am afraid, may have failed to receive proper appreciation on the part of the Lytton Commission as the result of their partiality to the views presented to them by a section of the Chinese officials. In any case, I deeply regret to say that from whatever cause the League and the Commission are open to the serious charge of failing to come to an impartial judgment as to the realities of the situation.

In the light of what has been just stated, it seems the wisest course for the League to reserve judgment

on the matter in dispute between Japan and China, and take definite action only after a full opportunity of watching and observing the actual development of the new independent state. As pointed out in the Lytton Report itself, the situation in the Far East is extremely complicated, so that it does not easily fit in with the usual principles of international intercourse. International principles suited for the regulation of situations like that in the Far East, can only be evolved after the present dispute shall have been disposed of. The world may be said to be now in the process of collecting the necessary data for that purpose. Japan is fully prepared, in view of the position she rightly occupies among the nations of the world, to do her best to support China in her work of unification and reconstruction, to the end that peace may thereby be assured in the Far East and services rendered in the cause of world prosperity. It is to be earnestly hoped that, in her efforts to do her part in this great work, Japan will have the benefit of such fair and sympathetic support as it may be in the League's power to give in its position as the highest guardian of peace and progress in the world. Would it be too much to hope that our expectation in this regard may meet with the League's favourable consideration? We feel confident that the League will prove itself equal to the important role assigned to it in the present unique juncture for the good of the human race.

CHOKIURO KADONO

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