

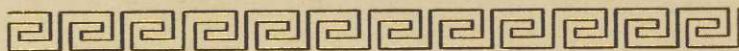
SELECTED WORKS OF MODERN CHINESE LEARNING

THE POST-WAR INDUSTRIALIZATION OF CHINA INDUSTRIAL CAPITAL IN CHINA

H. D. Fong



商務印書館
The Commercial Press





SELECTED WORKS OF MODERN CHINESE LEARNING

THE POST-WAR INDUSTRIALIZATION OF CHINA INDUSTRIAL CAPITAL IN CHINA

H. D. Fong



YZLI0890154996



商務印書館
The Commercial Press

2011年·北京

图书在版编目(CIP)数据

战后中国之工业化;中国之工业资本=THE POST-WAR
INDUSTRIALIZATION OF CHINA;INDUSTRIAL CAPITAL
IN CHINA;英文/方显廷著. —北京:商务印书馆,2011

(中华现代学术名著丛书;英文本)

ISBN 978-7-100-08799-5

I. ①战… II. ①方… III. ①工业经济—研究—中国—
英文 IV. ①F42

中国版本图书馆 CIP 数据核字(2011)第 246107 号

所有权利保留。

未经许可,不得以任何方式使用。

中华现代学术名著丛书

战后中国之工业化 中国之工业资本

(英文本)

方显廷 著

商务印书馆出版

(北京王府井大街36号 邮政编码 100710)

商务印书馆发行

北京瑞古冠中印刷厂印刷

ISBN 978-7-100-08799-5

2011年12月第1版

开本 710×1000 1/16

2011年12月北京第1次印刷

印张 11 插页 1

定价: 35.00 元

First Edition 2011

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, now known or to be invented, without permission in writing from the publishers, except for brief quotations by reviewers.

ISBN 978 - 7 - 100 - 08799 - 5

© 2011 The Commercial Press

Published by

The Commercial Press

36 Wangfujing Road, Beijing 100710, China

[www. cp. com. cn](http://www.cp.com.cn)



H. D. Fong
(1903—1985)

Editorial Note

One hundred years ago, Zhang Zhidong tried to advocate Chinese learning by saying: "The course of a nation, be it bright or gloomy, the pool of talents, be it large or small, are about governance on the surface, and about learning at the root." At that time, the imperialist powers cast menacing eyes on our country, and the domestic situation was deteriorating. The quick infiltration of Western learning made the long-standing Chinese tradition come under heavy challenge. In those days, Chinese learning and Western learning stood side by side. Literature, history and philosophy split up, while many new branches of learning such as economics, politics and sociology were flourishing, which made many Chinese dazed. However, there appeared a vital and vigorous learning climate out of the confusing situation. It was at this critical moment that modern Chinese scholarship made the transition—by exchanging views, basing on profound contemplation and even with confrontation of idea and clash of views, the scholarship made continuous progress, bringing up a large number of persons of academic distinction and creating numerous innovative works. Changes in scholarship and in general modes of thinking made transition in all aspects of the society possible, thus laying a solid foundation for revitalizing China.

It's over a century since the journey of modern Chinese learning started, during which various schools of thought stood in great numbers, causing heated discussions. The journey sees schools of thought as well as relevant arguments rising and

falling, waxing and waning instantly, leaving complicated puzzles to followers. By studying and reviewing the selected works, one may gain new insights into that journey; and it is the editor's sincere hope that readers would ponder over the future by recalling the past. That's why we have compiled "Selected Works of Modern Chinese Learning". The effort includes masterpieces of celebrated scholars from diverse fields of study and different schools of thought. By tracing back to the source and searching for the basis of modern Chinese learning, we wish to present the dynamics between thought and time.

The series of "Selected Works of Modern Chinese Learning" includes works (both in Chinese and in foreign languages) of scholars from China—mainland, Hong Kong, Macau, and Taiwan—and from overseas. These works are mostly on humanities and cover all fields of subjects, such as literary theory, linguistics, history, philosophy, politics, economics, jurisprudence, sociology, to name a few.

It has been a long-cherished wish of the Commercial Press to compile a series of "Selected Works of Modern Chinese Learning". Since its foundation in 1897, the Commercial Press has been privileged to have published numerous pioneering works and masterpieces of modern Chinese learning under the motto of "promoting education and enlightening people". The press has participated in and witnessed the establishment and development of modern Chinese learning. The series of "Selected Works of Modern Chinese Learning" is fruit of an effort to relay the editorial legacy and the cultural propositions of our senior generations. This series, sponsored by National Publication Foundation, would not be possible if there were no careful planning of the press itself. Neither would it be possible without extensive collaboration among talents of the academic circle. It is our deeply cherished hope that titles of this series

will keep their place on the bookshelves even after a long time. Moreover, we wish that this series and "Chinese Translations of World Classics" will become double jade in Chinese publishing history as well as in the history of the Commercial Press itself. With such great aspirations in mind, fearing that it is beyond our ability to realize them, we cordially invite both scholars and readers to extend your assistance.

Editorial Department of the Commercial Press

December 2010

**THE POST-WAR INDUSTRIALIZATION
OF CHINA**

By

H. D. FONG, Ph.D.

Research Director and Professor

Nankai Institute of Economics, Nankai University

Chungking, China

THE POST-WAR INDUSTRIALIZATION OF CHINA

"Some have spoken of the 'American Century.' I say that the century on which we are entering—the century which will come of this war—can be and must be the century of the common man. Perhaps it will be America's opportunity to suggest the freedoms and duties by which the common man must live. Everywhere the common man must learn to build his own industries with his own hands in a practical fashion. Everywhere the common man must learn to increase his productivity so that he and his children can eventually pay to the world community all that they have received. No nation will have the God-given right to exploit other nations. Older nations will have the privilege to help younger nations get started on the path to industrialization, but there must be neither military nor economic imperialism. The methods of the nineteenth century will not work in the people's century which is now about to begin."—Vice President Wallace, New York, May 8, 1942.

China is one of the United Nations with a tremendous stake in the world of tomorrow. When the invader has been defeated and driven from her lands, China will start afresh on the path to industrialization. Of the desire of the Chinese people to become more productive, there is no doubt. But what have five years of war done to China's industrial beginnings? What industrial progress does China want to make, and by what means, and with whose help?

If America is to play the role suggested by the Vice President, we in this country need to know answers to these questions. The National Planning Association, therefore, asked Dr. H. D. Fong, one of China's leading economists, who has long been interested in China's industrialization, for his views. This compact study throws much light on the road ahead.

CONTENTS

| | |
|---|----|
| THE POST-WAR INDUSTRIALIZATION OF CHINA | i |
| INDUSTRIAL CAPITAL IN CHINA | 93 |

CONTENTS

| | | |
|-----------------------------|--|----|
| Chapter I. | Introduction | 1 |
| Chapter II. | China's Resources | 2 |
| | Mineral Resources | 3 |
| | Agricultural Resources | 7 |
| | Human Resources | 12 |
| Chapter III. | Fields for China's Postwar Industrialization | 15 |
| | Transport and Public Utilities | 15 |
| | Agriculture | 17 |
| | Industry | 19 |
| Chapter IV. | China's Wartime Industrial Achievements | 25 |
| | China's Prewar and Wartime Industrial Bases | 25 |
| | China's Wartime Achievements | 30 |
| | Transport | 30 |
| | Agriculture | 34 |
| | Industry | 38 |
| Chapter V. | Japan in China | 42 |
| | Japan in Manchuria Since 1931 | 42 |
| | Japan in China Proper Since 1937 | 46 |
| Chapter VI. | Capital and Management in Postwar China | 54 |
| | Foreign Capital | 54 |
| | Prewar Foreign Capital | 56 |
| | Wartime Foreign Loans to China | 57 |
| | Postwar Foreign Investments in China | 60 |
| | Purposes of Foreign Investment | 61 |
| | Forms of Foreign Investment | 63 |
| | Repayment of Foreign Loans | 66 |
| | Chinese Capital | 68 |
| | Public Borrowing | 68 |
| | Redirection of Credit | 70 |
| | Credit Expansion | 71 |
| | Repatriation of Refugee Capital | 72 |
| | Overseas Chinese Remittances | 73 |
| | Management | 74 |
| Chapter VII. | Proposals for Organizing Postwar Industry | 76 |
| | Principles | 76 |
| | Forms of Organization | 78 |
| | The China Reconstruction Finance Corp. | 80 |
| Appendix | | 86 |
| Selected Bibliography | | 91 |

THE POST-WAR INDUSTRIALIZATION OF CHINA

CHAPTER I. INTRODUCTION

Unequal distribution among nations of materials and manpower gives rise to endless difficulties of adjustment in an increasingly interdependent world. Particularly is this so as long as sovereign states exist. The problems created become doubly important if the resources unequally distributed among the different nations have not been evenly developed. China offers a striking example of failure to utilize her existing resources. With one-quarter of the world's population and a fair proportion of the world's natural resources, she possesses only a minute fraction of the world's machinery. Taking the amount of machinery per inhabitant in the industrial countries of northwestern Europe as 100, the corresponding index would be 405 for the United States and only between 0 and 1 for China. ¹The international repercussions of such a state of affairs are tragically serious. Since the Opium War of 1839-42, China has been a victim of international struggle for the expropriation of her vast natural resources as well as for control of markets for trade and investment. This struggle has culminated in the present Sino-Japanese War.

Once the war comes to an end, no problem can be of greater concern to the world at large than that of rational redistribution and utilization of the world's resources, which includes especially the economic development of China. If such a development can be effected by carefully considered international action, it may not only improve the economic welfare of one-quarter of the world's population, but may also bring about stability in world social, economic and political relations. With this end in view, the present monograph attempts to show the potentialities for China's postwar industrialization. It indicates her needs for capital and management which, in light of China's present stage of industrial development and the untold destruction wrought by the war, can only be met with through active assistance from the nations now allied to China in the common struggle against the totalitarian powers. Among these the

¹ Staley, Eugene: *World Economy in Transition*, Council on Foreign Relations, New York, 1939, p. 70. These data are calculated from a table of values of machinery per capita given by Ernst Wagemann, *Struktur und Rhythmus der Weltwirtschaft*, Berlin, Reimar Hobbing, 1931, pp. 406-8.

2 THE POST-WAR INDUSTRIALIZATION OF CHINA

United States, with more capital for export than any other power, will be in a position to play a major role in the international development of postwar China. Dr. Sun Yat-sen, founder of the Chinese Republic, foresaw such a development in 1922. To quote from Dr. Sun,²

the recent World War has proved to mankind that war is ruinous to both the Conqueror and the Conquered, and worse for the Aggressor. What is true in military warfare is more so in trade warfare. Since President Wilson has proposed a League of Nations to end military war in the future, I desire to propose to end the trade war by cooperation and mutual help in the development of China. This will root out probably the greatest cause of future wars.

The world has been greatly benefited by the development of America as an industrial and a commercial nation. So a developed China with her four hundred millions of population, will be another new world in the economic sense. The nations which will take part in this development will reap immense advantages. Furthermore, international cooperation of this kind cannot but help to strengthen the Brotherhood of Man. Ultimately, I am sure, this will culminate in its being the keystone in the arch of the League of Nations.

Since Dr. Sun's writing, the world has again come to be involved in war, far more extensive in area and far more intensive in destruction than the last. This World War II, begun by Japan on July 7, 1937, has now spread from Asia to Europe, to Africa, to the Western Hemisphere.

According to Pfeffer,³ "social reconstruction in China, meaning industrialization and internal reorganization on a principle of economic equality, is a *sine qua* of both equilibrium in China and international peace in the Far East."

China's contribution to world peace after the war must lie in her own rejuvenation as a modern industrialized nation, able to defend herself against foreign aggression and thus to serve as a stabilizing factor in the preservation of freedom and democracy in the Far East.

CHAPTER II. CHINA'S RESOURCES

The reputed wealth of China for many centuries inspired the admiration of the world. In his travels throughout the Far East in 1274-95, Marco Polo in his fascinating accounts acquainted the world

² *International Development of China*, New York, 1922, Introduction.

³ Pfeffer, Nathaniel: *Prerequisites to Peace in the Far East*, Institute of Pacific Relations, 1940, Chapter II.

with the general richness of China.⁴ Later travellers confirmed rather than questioned this conclusion, in respect of China's mineral if not agricultural resources. In particular, Baron Ferdinand von Richthofen's description of the iron and coal fields of Shansi in the early seventies of the last century, has often been quoted and probably has had more influence than any other single piece of writing in establishing the widespread belief that China possesses the "untold mineral wealth" in which after-dinner speakers have such firm faith. Indeed, the universal error made by the early observers was to mistake widespread occurrence of minerals for abundance. Unfortunately, more recent investigations have failed to substantiate conclusions drawn from the earlier work. It is still difficult, if not impossible, to make a sound estimate of China's mineral resources since they have not yet been carefully surveyed, yet preliminary researches in the last two decades and a half, tending towards under- rather than over-estimation have provided data which may serve as a starting point for a more adequate understanding of China's mineral resources in the light of needs for industrialization in the postwar world.⁵

Mineral Resources

At the present stage of technology, mineral resources seem to play a more important role than agricultural, although recent discoveries by the chemists have tended to stress the potentialities of the agricultural. The leading mineral resources needed for industrialization include coal, iron, oil and copper. Coal, oil and copper are indispensable for the generation and transmission of motive power, while iron supplies the basic mineral for machine civilization. China is deficient in oil and copper, has a reasonable reserve of iron ore, and is fairly rich in coal.

With regard to oil, Bain concludes after extensive summary of the earlier explorations that ⁶

⁴ In speaking of the famous Mongol Emperor of China, Kublai Khan, "The Great Lord of Lords," Marco Polo adds, "And of a surety he hath good right to such a title, for all men know for a certain truth that he is the most potent man, as regards forces and lands and treasure, that existeth in the world, or ever hath existed from the time of our First Father Adam until this day." *The Book of Ser Marco Polo*, 3rd Yule edition, London, 1903, Book II, Part I, Chapter I.

⁵ Bain, H. Foster: *Ores and Industry in the Far East*, revised and enlarged edition, Council on Foreign Relations, New York, 1933, pp. 31-32.

⁶ *Ibid*, p. 129.

4 THE POST-WAR INDUSTRIALIZATION OF CHINA

nowhere in China do conditions exist which are comparable from a geological standpoint with those existing in the mid-Continent or Pacific oil fields of the United States. Making every allowance for deficiencies in present knowledge of the economic geology of China, its oil reserves are still probably less than one percent of those of the United States.

The two regions where oil reserves may be found are the North Shensi Basin and Szechuen province. The North Shensi Basin, comprising a narrow strip along the western margin, the northern part of Shensi, northeastern Kansu and a part of southern Mongolia, is the most favorable region in North China for petroleum development. The Basin contains an area of over 100,000 square miles. According to recent report, Szechuen and Shensi are estimated to have 1,357 million barrels, or 56,994 million gallons, of petroleum underground—a reserve sufficient to satisfy China's prewar annual requirement of 80 million gallons for over 700 years. In Shensi, one well is said to have a production capacity of 8,000 barrels per day, or one of 100 million gallons per year, but lack of refining facilities renders the crude oil unfit for many essential purposes. In order to meet the urgent requirements during wartime, the Ministry of Economics is establishing a large-scale oil refining plant in Chungking, wartime capital of China; it is developing fuel substitutes by manufacturing synthetic gasoline from alcohol and vegetable oil.⁷

Shale oil is found to a considerable extent in Manchuria. The reserves are estimated at 7,628 million metric tons, of which more than two-thirds, 5,400 million metric tons, are centered in Fushun in southern Manchuria. The oil content varies from three to seven percent. After experiments extending over four years a plant was constructed by the Fushun Collieries—a subsidiary of the South Manchuria Railway Company; it began operation in September, 1929. The output of heavy oil, 61,000 metric tons in 1931, was reported to have reached 360,000 metric tons in 1939.⁸ In 1941, the Japanese Cabinet decided to subsidize the SMR's venture to the extent of 100 million yen, with five annual installments of 20 million yen each, beginning with the fiscal year 1941-42. From the very outset, the Fushun shale oil had been sold primarily to the Japanese navy at prices which were probably higher than world market prices. Originally, oil-shale was produced in the process of open-cut mining,

⁷ Mitchell, Kate L.: *Industrialization of the Western Pacific*, Institute of Pacific Relations, New York, 1942, p. 133.

⁸ *Japan-Manchukuo Yearbook*, 1940, pp. 766-77; *Japan Yearbook*, 1940-41; Mitchell, *Op. cit.*, p. 88.