Development Economics of China
2025, VOL. 9, NO. 4, 19-26
DOI: 10.47297/wspdecWSP2515-797304.20250904

An Analysis of the Evolution of Japanese Zaibatsu Business Models in China during the Late Qing and the Republic of China

Youqing Wang*

School of Marxism, Guizhou University of Finance and Economics, Guiyang, Guizhou, China.

ABSTRACT
This paper examines the business models of Japanese zaibatsu in China during the late Qing and Republican periods, analyzing how they circumvented Chinese government restrictions on foreign capital through comprador agency, Sino-Japanese joint ventures, loan control and investment infiltration. Initially, zaibatsu employed compradors familiar with Chinese commercial environments to establish trade networks, later training their own "China experts" to replace compradors and build independent marketing systems in treaty ports. Facing restrictions on establishing factories and operations in China's interior, zaibatsu used "Sino-Japanese joint ventures" to gain control over enterprises through capital infiltration, bypassing policy constraints. Additionally, they provided loans with stringent conditions to companies like Hanyeping and Chinese mining enterprises, securing control over resource industries through mortgages and exclusive sales agreements, even extending influence to critical sectors like railways and telecommunications. These models were institutional tools of Japan's economic aggression, serving both zaibatsu capital expansion and Japan's colonial policies. This study reveals the strategic evolution of zaibatsu operations in China and their profound impact on the Chinese economy, offering a historical perspective on Sino-Japanese economic relations during this period.

KEYWORDS
Japanese zaibatsu; business models; comprador; Sino-Japanese joint ventures; loan control

From the late Qing to the Republican period, Japanese zaibatsu emerged as a new capitalist force, joining foreign capital in expanding operations in China. At the time, foreign capital faced constraints from Chinese laws and policies, prohibiting factories in the "interior" beyond treaty ports and restricting entry into specific industries, posing significant barriers to Japanese capital exports. To overcome these, zaibatsu like Mitsui, Mitsubishi, and Okura continuously adjusted strategies, developing aggressive yet adaptive business and capital export models that profoundly shaped modern Sino-Japanese economic relations. This paper, spanning from the 1895 Treaty of Shimonoseki to the 1937 outbreak of the Second Sino-Japanese War, focuses on the formation and evolution of zaibatsu business models in China, revealing how they circumvented policy constraints to achieve aggressive expansion. The strategies exhibited clear stages and adaptability: early reliance on compradors to integrate into Chinese commercial networks, mid-term development of independent marketing systems through "China experts," and later use of "Sino-Japanese joint ventures," "loan control," and "investment infiltration" to achieve deep control over resources, industries, and markets. Studying these models not only clarifies the complexity of Sino-Japanese economic relations but also exposes the aggressive nature of zaibatsu capital intertwined with Japanese political power, providing micro-level case studies for modern Chinese economic history and historical reflections for contemporary Sino-Japanese economic cooperation.

1 From Comprador Agency to Direct Operations

When Japanese zaibatsu first entered China, influenced by Japan's long-standing isolationist policies, they lacked a distinct overseas business model and followed Western firms like British and American trading houses, hiring Chinese compradors to manage operations and sales. Due to language barriers, unfamiliarity with customs, market conditions, commercial structures, and transaction practices, zaibatsu like Mitsui and Mitsubishi had neither established commercial networks nor necessary credit relationships. To conduct business, they relied heavily on compradors, who, being native to China, were familiar with its institutions, geography, and customs, making them ideal agents for foreign firms. "Compradors were not only translators and brokers but also experts in China's complex currency systems," and without them, foreign firms "could not fully operate in Chinese commerce to secure significant profits"[1]. In other words, foreign firms depended on compradors to engage in Sino-foreign trade.

Japanese zaibatsu "often employed Chinese compradors for transactions, leaving purchasing to them"[2]. For example, Mitsui hired compradors like He Gengxing, Zhu Shushen, Jin Yangsheng, and Gu Shengyi; Mitsubishi employed Li Aidong; and Okura hired Sun Shaoting. Zaibatsu relied on them for various activities, translating Chinese dialects into Japanese,

*** Corresponding Author:** Youqing Wang.

explaining commercial practices, recruiting Chinese agents, and managing the sale of imported goods. Compradors served zaibatsu while leveraging their positions to develop personal businesses. They often combined roles as brokers, agents, translators, and advisors, with some managing operations and acting as credit guarantors. Many had their own firms and sales networks, such as Mitsui's He Gengxing, who ran Renheng and Xingji money shops and was a major shareholder and manager of Hongyu Hardware; Gu Shengyi operated Yongda Rice Shop; and Mitsubishi's Li Aidong managed Xianji Paper Shop and Qingyuan Sugar and Grocery Shop[3]. Consequently, zaibatsu distrusted compradors, especially those with influential family networks, often spanning generations and regions, forming powerful alliances that zaibatsu struggled to control[4].

After the Sino-Japanese War, the Treaty of Shimonoseki granted zaibatsu the right to establish factories in treaty ports. As Chinese markets opened further and Sino-Japanese economic interactions grew, alongside advancements in modern finance and credit, Mitsui Bussan expanded its vision and adjusted strategies. Mitsui deemed “spending 1% of China's business volume on compradors cams excessive”[5] and began establishing a new model, training its own marketing personnel to replace compradors.

From April 1898 to October 1915, Mitsui annually sent Japanese high school graduates, aged 15 – 20, to Shanghai, Yingkou, Tianjin, Taipei, and Hong Kong for three years of full-time training as "Qing commercial interns"[6]. Initially, Mitsui’s branch managers were skeptical. In October 1898, Mitsui president Masuda Takashi personally inspected branches in Shanghai, Taipei, and Hong Kong, where interns' performances earned his support. Upon returning to Tokyo, he proposed sending a second batch of interns at a board meeting.

From 1899, Mitsui also recruited 10 experienced employees annually in Japan as “China trainees,” requiring at least a junior high school diploma, willingness, and “unyielding spirit.” They were placed in outposts like Nanjing, Guangzhou, and Hong Kong for three years of training[7]. Mitsui established Chinese language courses at its Shanghai headquarters, led by Yamamoto Jotaro, who was promoted to Shanghai branch manager in 1901 for his success. Under the careful supervision Yamamoto, “all Japanese interns and trainees had to wear Chinese 'coolie' clothing, grow Chinese-style queues, and live together with the Chinese. ... Any trainee or intern who married a Chinese woman would receive a company bonus.”[8]

Upon graduation, these trainees replaced Chinese compradors, with Mitsui reserving most branch positions for them, relegating Chinese to low-paying roles[9]. After 1902, Mitsui stationed Japanese representatives in key cities like Yingkou, Tianjin, Beijing, Yantai, Shanghai, Hankou, Taipei, Xiamen, Hong Kong, and Guangzhou, eliminating reliance on compradors. Mitsui Bussan's profits in China tripled, from 114,381 yen in 1897–1899 to 353,623 yen in 1900–1902[10]. The Shanghai branch led overseas branches in trade volume from 1909, with 48 employees and ample funding[11]. In 1912, Mitsui reorganized its overseas marketing, establishing a Shanghai-centered network radiating across China, reducing intermediaries, cutting costs, and gaining control through direct dealings with local merchants and producers.

Mitsui's success set a precedent for other zaibatsu. Mitsubishi established the Mitsubishi Academy in Beijing in 1917, recruiting Japanese students to train as “China experts” with free tuition, focusing on Chinese and supplementary English studies, and assigning graduates to Mitsubishi branches in China[12]. In addition to most of the students trained by Mitsubishi Academy directly serving Mitsubishi Zaibatsu , some of them, like Harada Ryuichi, who became a second secretary at the Japanese embassy in China, or others who served as translators in the Japanese army or government, transferred to work in other fields [13].

Not all zaibatsu adopted Mitsui and Mitsubishi's model of training “China experts” to replace compradors. Mitsui and Mitsubishi are strong and have a large business scale in China, so they have the ability and necessity to rebuild their business model. Other zaibatsu, based on their own business characteristics, employ internal personnel of their own system in important departments and core positions on the basis of hiring compradors to run the business, or hire graduates of the Toa Dobun Shoin to engage in related business work.

In treaty ports and cities where Japan obtained privileges, the Japanese zaibatsu trained “China experts” to replace the compradors in direct management, marking the transformation of the Japanese zaibatsu from "dependent" expansion to “independent” aggression. In restricted regions and sectors, zaibatsu used "Sino-Japanese joint ventures" to bypass Chinese legal and policy constraints.

2 Sino-Japanese Joint Ventures

To circumvent Chinese regulations prohibiting foreign factories and operations outside treaty ports, zaibatsu partnered with Chinese merchants to establish joint ventures. As early as the late Meiji period, Toa Dobun Shoin noted that joint ventures allowed "establishing shops beyond open ports"[14]. After the Russo-Japanese War, Japan incorporated Northeast China into its sphere, triggering the first wave of Sino-Japanese joint ventures. In 1907, Okura established Nissin Oil Refining Co., Ltd. in the name of Sino-Japanese joint venture, with a capital of 6 million yen. It used all new steam engine equipment for production, producing more than 5,000 kilograms of soybean oil and more than 100,000 soybean cakes daily, becoming Northeast China's largest oil industry [15]. In the same year, the Mitsui established the "Santai" oil mill in partnership with the "Dong Yongmao" oil mill and the "Xi Yishun" oil mill opened by Chinese national capitalists.

The most successful joint venture was the Sino-Japanese Industrial Company, initiated by zaibatsu like Mitsui, Mitsubishi, Sumitomo, Okura, Shibusawa, Mantetsu, and other zaibatsu. During Sun Yat-sen's 1913 Japan visit, Shibusawa Eiichi and others, on behalf of the zaibatsu, proposed to Sun Yat-sen to jointly establish the Sino-Japanese joint venture China Industrial Company. After the outbreak of the "Second Revolution", Sun Yat-sen and other revolutionaries fled to Japan. The China Industrial Company was reorganized and renamed the Sino-Japanese Industrial Company in 1914, becoming a link between Yuan Shikai's regime and the Japanese financial circles. [16]Through this company, zaibatsu invested widely in China, including Anhui's Taochong iron mine, Hunan's Longshan antimony mine, Hubei's Kaiyuan coal mine, Shaanxi's Yanchang oil, Zhejiang's Changxing oil surveys, telephone and railway loans, Shandong industrial loans, and Hankou paper mill advances. They invested in dozens of electric companies in Central China, establishing Ludong Power Company, and in North China, engaged in Shandong salt imports, asbestos exploration, and other nationwide projects.

Among the Sino-Japanese joint ventures , coal mines were the key mineral resources controlled by the Japanese zaibatsu in China. In March 1914, Okura's investigation in Rehe's Fuxin County sparked conflicts, and citing a prospecting engineer's death, Okura coerced rights to six coal mining areas. As this violated Chinese mining laws, Okura had to establish the "Daxin Company" in the name of Chinese Zhou Guizhang and Okura staff Imai Kunizo, with a capital of 1.5 million yen; and established the "Daxing Company" in the name of Chinese Gu Zhikang and Okura staff Kono Kyutaro, with a capital of 800,000 yen[17]. Okura also partnered with Guan Xianglin, Yang Tingdong, and Ye Yangwu in Shanghai to form Shunji Company, securing coal prospecting rights in 14 mining areas in Jiangxi's Fengcheng, Yugan, and Leping. In Hunan, Okura and Huang Duyi established Wujin Company for copper mining in Changning County[18].

After Japan forced Yuan Shikai's government to sign the "Twenty-One Demands", zaibatsu ushered in a second wave of joint ventures. Okura targeted Beijing's Qinghe Pulinee Leather Company, a Sino-military-civilian venture producing wool and leather. During World War I, Qinghe Pulinee Leather Company needing capital and raw materials, Okura provided a 500,000-yen loan as a "foundation for joint ventures." In 1915, Okura invested another 250,000 yen, demanding the company become a joint venture, with all government wool and leather orders directed to it, and excess orders transferred to Japan[19]. The plan failed when China repaid the loan in February 1916[20].

In order to get involved in the logging and processing of wood, in November 1917, Mitsui's subsidiary Oji Paper Co., Ltd. partnered with Chinese Lu Runsheng and Cao Runtian to form Funing Paper Co., Ltd. in Jilin. In name, China and Japan each contributed half of the capital, but the actual capital was paid by Tokyo Prince Paper Co., Ltd., and Lu Runsheng and Cao Runtian were just empty names. The Mitsui thus obtained the production and sale of paper raw materials and paper products, the logging of forests, and the processing and sale of wood. Later, it colluded with local officials and even obtained "the right to use the water power of Jingpo Lake and the right to build the Ning'an Light Railway" [21].

Japan's limited land, dense population, and scarce resources, especially rice, posed threats to livelihoods. Okura believed that if the food problem was to be solved, there was no other way except to develop the fertile plains of Manchuria and Mongolia, so he was determined to realize this wish. In 1923, the Okura Zaibatsu cooperated with the Naiman King of Mongolia to establish a large-scale paddy field development business in the Qinghe River Basin Plain in Mongolia , namely Huaxing Company, and successfully entered the field of agricultural development in Mongolia.

The essence of the "Sino-Japanese Joint Venture" is an economic expansion tool used by Japanese zaibatsu to circumvent Chinese policies. Through the "Sino-Japanese Joint Venture", Japanese zaibatsu successfully broke through China's policy restrictions of "foreign investment is prohibited outside the trading ports" and successfully got involved in China's mineral mining, energy surveys, power construction and other fields. After the signing of the "Twenty-One Demands", Japanese zaibatsu took the opportunity of the First World War to form a second wave of Sino-Japanese Joint Ventures, extending their influence to leather, papermaking, agriculture and transportation, and realizing resource plunder and industrial control in multiple regions and industries in China.

3 Loan Control

Compared to joint ventures, loan control was more covert and deceptive. Interest was not the goal; securing operational privileges and control over Chinese firms through loan conditions was the true aim. Okura was representative, focusing on loans and investments rather than independent operations, unlike Mitsui and Mitsubishi.

After the Meiji Restoration, Japan's steel industry developed rapidly , but Japan lacked iron ore, while China was rich in iron ore and the zaibatsu had no right to operate and mine in China. In 1902, Hanyang Iron Works, facing financial difficulties, borrowed 250,000 yen from Okura for equipment expansion, which Okura promptly approved. Supported by the Japanese government, which used zaibatsu's civilian identity to mask aggression, Japan's Industrial Bank lent

Hanyeping 3 million yen in 1904, securing a 40-year contract for ore and pig iron purchases. In 1905, Sheng Xuanhuai requested a 2.5 million-yen loan for Pingxiang Coal Mine, “Okura immediately agreed from the perspective of the future of Japan's iron smelting industry.” After Pingxiang merged with Hanyang and Daye into Hanyeping, due to the loan relationship, it became Japan's primary ore supplier[22]. With the successful cases of Okura Zaibatsu and Industrial Bank getting involved in China's mining industry through loans , Mitsui & Co. and Yokohama Specie Bank also lent money to Hanyeping Company several times, with a total amount of up to 28 million yen[23].

Loan conditions were harsh. In 1906, Sheng Xuanhuai signed a loan contract of 1 million yen with Japan's Mitsui & Co., using the property of the Hanyang Iron Works as collateral [24]. In exchange for the loan from Mitsui, the Hanyeping Company also signed a contract with Mitsui for agency sales and exclusive sales. The contract stipulated that "all steel will be sold exclusively by Mitsui". All orders from the exclusive sales area must be transferred to Mitsui. Even if there are other merchants who "want to buy from the ironworks on their own", the company must still pay Mitsui a commission of 2.5% of the selling price, which is regarded as Mitsui's agency sales[25]. Through loans , Mitsui's agency sales or exclusive sales lasted for more than ten years, until 1917. In the 39 years from its opening to 1935, Daye Iron Mine mined a total of 12 million tons of ore. In addition to 3.4 million tons used domestically, the remaining 8.6 million tons of ore were shipped to Japan and became raw materials for Japanese steel companies. Since then, Japanese zaibatsu have used loans as a means to expand their business operations in China and plunder raw materials.

To access Hunan's copper mines, in 1915, Furukawa Coal Co. lent 153,300 yen to Huashang Xingxiang Co. for Luzi'ao Copper Mine. In 1916, Xingya Co. lent 5 million yen for Hunan's Shuikoushan Mine, Sino-Japanese Industrial Co. lent 1.712 million yen to Anhui's Yufan Iron Mine, and Okura lent 1 million yen to Nanjing's Ziling Iron Mine[26]. In 1918, Mitsui Mining lent 3.609 million yen to Anhui's Fuli Min Iron Mine, and five zaibatsu (Mitsui, Furukawa, Okura, Suzuki, Takada) formed Xingyuan Co., lending 300, 000 yen to Hunan for Shuikoushan lead-zinc mine expansion[27]. In February 1918, Zhang Jingyao and Xiao Zhongbang borrowed 270, 000 taels of silver from Xingyuan, secured by 6, 000 tons of Shuikoushan lead ore, for Hunan's military expenses[28]. In 1920 and 1923, Sino-Japanese Industrial Co. lent Anhui's Yufan Co. 2.5 million yen each, and in 1924, lent 111,000 yen to Hunan's Zhiji Antimony Refinery[29].

In addition to loans in the mining sector, Japanese zaibatsu also continued to infiltrate the fields of coinage, radio, and railways through loans. In February 1921, Hunan Mint and Chamber of Commerce borrowed 1.2 million yuan from Mitsui, secured by 1.2 million bags of rice and 30,000 tons of Shuikoushan lead ore[30]. In 1923, Mitsubishi lent to Tianjin and Nanjing mints, and Furukawa to Jiangxi Finance Bureau, securing copper, rail, cement, and coal rights. In 1918, the Navy Ministry borrowed 536, 000 pounds from Mitsui for a Beijing radio station, granting 30-year management rights and foreign communication permissions. Obviously, the Japanese zaibatsu used loans as a pretext to control the Beijing government. [31].

In July 1919, the Ministry of Transport of China proposed a wired telecommunications loan of 15 million yen to the Industrial Bank through Nakayama Ryuji, and the Industrial Bank gave the loan to East Asia Industrial Co., Ltd. The Japanese side stated that the sale of wires and other materials "would be the condition for the loan, and if the iron wires were not purchased, the loan would not be made." As a result, a contract to purchase 4,000 tons of wires was signed. Sumitomo stated that if it could “share the iron wire manufacturing, Sumitomo would be willing to invest one million”; the Furukawa Zaibatsu also believed that the loan was safe, and “the loan could be used to advance the purchase of the company's materials immediately,” and that the loan could gain more supply rights. Therefore, Sumitomo and Furukawa each invested 1 million yen in East Asia Industrial Co., Ltd. and participated in the loan [32]. After the loan contract was signed, Furukawa and Sumitomo East received huge orders for wires. By May 1923, Furukawa had provided more than 1, 000 tons of iron wires. The Furukawa Zaibatsu also took this opportunity to sign a contract with the Chinese Ministry of Communications in May 1920 to provide a 520-nautical-mile submarine cable between Wusong and Yantai for a total of 4.5 million yen.

At the end of the 19th century and the beginning of the 20th century, Western powers rushed to provide railway loans to China and obtain the right to lay railways. When the powers provided loans to China's railways, they almost all attached the condition of using their own building materials and railway-related products. Since Japan started late, it was extremely difficult for Japanese zaibatsu to sell railways controlled by Western powers. After World War I, Western powers were busy with the war and had no time to look east. Japanese zaibatsu successfully obtained the right to sell railway supplies through credit sales and other means. Most of the railway loans from Japanese zaibatsu to China were converted from credit sales. For example, from 1919 to the end of 1925, the Jingfeng Railway owed Mitsui & Co. 62,100 silver dollars for miscellaneous materials. By the end of August 1924 and the end of March 1925, the Jinghan Railway owed more than 302,000 yen and more than 184,000 yen in principal respectively. The original payment was to be made within 20 days after delivery. Overdue interest was calculated at 9% per annum. From 1922 onwards, the interest was changed to 10%, and from 1923 onwards, it was 12%. By the end of 1925, the total amount was approximately 1,008,500 silver dollars. After the war, Mitsui & Co. provided loans to the Jinpu Railway, one of the conditions of which was the leasing of freight cars. By March 1921, the Jinpu Railway owed a total of 1,020,000 US dollars to the Tianjin Mitsui & Co. Due to insufficient funds, the

Jingsui Railway authorities applied to East Asia Industry for a loan of 3 million yen in November 1918. The loan conditions were: when the Jingsui Railway purchased major materials, it would purchase them from Japan through East Asia Industry; when there was a need for contracting, East Asia Industry would be given priority to contract at a preferential price; when the coal produced by the coal mine (Datong Coal Mine) operated by the Jingsui Railway was exported overseas, it would be entrusted to East Asia Industry[33].

Mitsui Bussan sold coal, machinery, and felt to Hankou Paper Mill, converting uncollectible credit sales into loans. Mitsui provided short-term loans to Hankou Water and Electricity Company, conditioned on exclusive equipment supply. In 1911, East Asia Industry provided Hankou Hydropower Company with a loan of 500,000 yen. In February 1916, the loan was due for repayment. Hankou Hydropower developed and operated well, so it borrowed another 1 million yen to improve and expand its equipment. The steam turbines were all provided by Mitsui[34].

Unlike conventional loans, zaibatsu loans aimed not for interest but to access restricted sectors through stringent conditions. Contracts favored creditors, enabling takeovers or harsh terms if loans went unpaid, making loans an effective control mechanism.

4 Investment Infiltration

Beyond loan control, investment infiltration was a core strategy for zaibatsu's later economic expansion. As a rising star, the Okura zaibatsu had a relatively weaker foundation and strength than Mitsui and Mitsubishi, and it was impossible for it to expand its business network step by step like Mitsui and Mitsubishi. The Okura zaibatsu, which started out as a weapons dealer, focused its investment and business scope in China on the Northeast from the beginning

Supported by the Japanese government and military for its role in expansions, Okura gained opportunities in Northeast China and Hubei. In 1904, Okura Kiichiro founded a sawmill in Andong; in 1905, a military sawmill in Shahezi, the first in Northeast China to use mechanical processing. In March 1907, Okura invested 6 million yen in Nisshin Seiyu Co., Ltd. In 1908, amid treaty port economic crises, Okura partnered with Jardine Matheson and Butterfield & Swire to invest 1.5 million yen in Beiyang Baoshang Bank. Okura's largest venture was Benxihu Coal and Iron Company. After Japan occupied Benxihu in the 1904 Russo-Japanese War, Okura began mining for military use. Following Chinese negotiations, it became a Sino-Japanese venture in 1910, renamed Benxihu Commercial Coal Mine Co., Ltd.

Post-1911 Revolution, Okura's investments expanded from Northeast China southward. It partnered with Shanghai's Guan Xianglin, Yang Tingdong, and Ye Yangwu to form Shunji Company, securing coal mining rights in 14 areas in Jiangxi's Fengcheng, Yugan, and Leping. In 1916, Okura invested in Wang Zhusan's Yuyuan Textile Company in Tianjin as a silent partner. In 1917, Okura invested 1 million yen in Shi Zhaozen and Xu Shuzheng's Yujin Leather Company, processing furs from Suiyuan. In February 1918, Okura, Mitsui, Mitsubishi, and Furukawa formed Xingyuan Company to manage mining surveys and operations, later joined by Meiji Mining, Sumitomo, Fujita, and Bei Dao. In 1920, Okura secured Jiangxi's Leping manganese mine, establishing Fule Company in 1921, supplying Japan's steel industry. In 1921, Okura invested 2.1 million yen in Qingdao Refrigeration Co., Ltd., with headquarters in Jinan and branches in Qingdao and Tianjin, exporting over 1,000 livestock monthly to Japan. In July 1921, Okura "partnered" with Jilin warlord Bao Guiqing to form Jilin Xinglin Paper Company, fully funded by Okura's 5 million yen, operating a large paper mill in Jilin's Jiuzhan. In 1922, Okura invested in Kyoei Enterprise Co., Ltd., managing Northeast China's timber, paper, and electrical industries[35].

Japanese zaibatsu 's investment in China also involved the communications industry. In 1915, China's Ministry of Transport planned to nationalize Wuhan's private telephone bureau, inviting bids from British, American, and Swedish firms. Advisor Nakayama Ryuji facilitated a contract for a Mitsui-led group including Furukawa and Sumitomo, signed in January 1916. Mitsui managed construction, with wires and cables from Furukawa's Yokohama Wire, Sumitomo's Wire Factory, and Fuj. Mitsui tried to acquire the Wuhan telephone business in order to use it as a stepping stone to take over the telecommunication field of China as a whole. Because Wuhan was the centre of China, "if we succeed in acquiring the telephone business in Wuhan, the telephone business in China will be no less important, and the telecommunication business will be the leading one for our company" [36]. The telephone project, which was undertaken by borrowing money, was a great help to Mitsui in selling machines. "As a result of this telephone project, Japanese machines began to enjoy a reputation among the Chinese, and Japanese machines gradually took over the Chinese market, such as the sale of electrical machinery in Shanghai and the supply of electric light machinery along the Yangtse River, both of which were very successful." [37]

In mining, zaibatsu's direct investments focused on Northeast China, primarily by Mantetsu, which invested 117.872 million yen in coal mines by 1931. In the interior of China, Japanese zaibatsu mainly used loans to control China's mining industry. In the later of 1920s, due to the boycott of Japanese goods and the Northern Expedition, Japan's mining investment in the interior of China was basically in a state of contraction.

After the 1931 Manchurian Incident, Japan supported the establishment of the puppet Manchukuo in Northeast China.

Subsequently, the Japanese military and foreign affairs departments began to formulate a planned policy of "economic development" and "economic cooperation" in North China. With the support of the Japanese military, the zaibatsu capital targeted the major cities along the Jiaoji Railway, echoing the country's colonial expansion policy and continuously expanding its economic power. In Tianjin, zaibatsu controlled five yarn factories by 1936 through investments and loans. In Qingdao, zaibatsu dominated with six of seven yarn factories by 1931. Within a year from autumn 1936, all Chinese yarn factories in Tianjin and Tangshan were absorbed through “investment” or “joint ventures.”[38] In the process of expansion and penetration of Zaibatsu capital, “the development of commercial trading capital such as Mitsui, Mitsubishi, Nihon Menka, Toyo Menka, Itochu, and Gosho, banking capital such as Yokohama Specie, Chosen, and Seiryu, and maritime capital such as Shosen, Harada, Yamashita, and Nakamura Group converged converged,”[39] forming dominant capital in treaty ports. Supported by financial capital, Japanese commercial capital controlled bulk trade with Japan, inland wholesale, and local trade through widespread branches, acquiring agricultural, livestock, and handicraft products. This process expanded zaibatsu’s commercial scale inland. Yarn factory expansions relied on financial capital, with Mitsui Bank heavily investing in Qingdao’s textile firms like Kanebo, Nisshin, Toyota, and Shanghai Spinning, making Mitsui their common parent. Kanebo, a major textile group, was primarily funded by Mitsui Bank[40].

The Japanese Zaibatsu's investment and infiltration not only brought them huge profits, but also put Chinese national enterprises in a more passive situation. After the 1931 Manchurian Incident, the Japanese Zaibatsu's investment in China began to implement aggressive capital export with the backing of the Japanese military. With the support of the Japanese military, the Japanese zaibatsu used a variety of modes of intertwined advancement, and began to implement Japan's colonial economic policy - the establishment of a unified economy in northeastern China, which provided the economic foundation for the full-scale war of aggression against China later launched by Japan.

5 Conclusion

From the business model of Japanese zaibatsu in China during the late Qing Dynasty and the Republic of China, it can be seen that comprador agency was the initial stage, with Mitsui and Mitsubishi establishing trade footholds through compradors. With the expansion of trade business and the privileges granted by the Treaty of Shimonoseki, Japanese zaibatsu began to replace compradors with “direct management” by cultivating “China experts”. This model broke the traditional practice of Western powers relying on compradors. By cultivating "China experts" to establish an independent marketing network, it not only reduced dependence on middlemen, but also strengthened control over distribution channels. The practice of Mitsui and Mitsubishi eliminating compradors and building their own teams became a model for other zaibatsu to follow, marking the transformation of Japanese zaibatsu from “dependent” expansion to “independent” aggression.

Sino-Japanese joint ventures are an important way for Japanese zaibatsu to circumvent policy restrictions. Outside of the treaty ports, zaibatsu gradually expanded into mainland China by establishing Sino -Japanese joint ventures with Chinese businessmen. In this process, the enterprises were nominally Sino-Japanese joint ventures, but the Japanese side often controlled the actual management power of the enterprises, even if the Chinese side has a certain right to operate it, and finally the zaibatsu to try to take over, such as the “Santai” oil mill y was eventually taken over by Mitsui completely. “Loan control” and “investment infiltration” are the "twins" of Japanese zaibatsu to break through policy restrictions. The former uses loans to exercise control in reality, and the latter uses investment as bait to plunder resources, the two together constitute a “stranglehold network” of Chinese national industry. What the Japanese Zaibatsu did fully exposed the fact that it took advantage of legal loopholes and political privileges to reduce Chinese enterprises to the status of Japanese economic vassals. The “Sino- Japanese joint ventures”, “loan control” and “investment infiltration” do not exist in isolation, but are intertwined and progressive, forming the characteristics of trade expansion as a means, capital infiltration as a path, and resource control as a goal, formed a systematic aggression from commercial networks to industrial monopolies.

From the passive adaptation of relying on compradors in the early days to the active control through “Sino- Japanese joint ventures”, “loan control” and “investment infiltration” in the later period , each strategic adjustment closely served the overall goal of Japan’s colonial expansion in China and had a profound impact on the economic, social and political levels : at the economic level, the zaibatsu severely suppressed the development of China's national industry and undermined the autonomy of China's economy by monopolizing key industries (such as coal, steel, and textiles) and resources (such as timber, cotton, and soybeans); at the political level, the collusion between the zaibatsu and the Japanese government and military provided economic support for the aggressive expansion policy and accelerated the pace of Japan’s aggression against China; at the social level, the zaibatsu’s monopoly led to market distortion and damage to people’s livelihood. For example, Chinese employees in “joint ventures” were marginalized, and the outflow of resources caused by loan mortgages exacerbated the regional economic imbalance.

In short , the business expansion of the Japanese zaibatsu in China was not a simple commercial behavior. Its business activities were closely coordinated with the colonial policy of the Japanese government from beginning to end. From obtaining the right to set up factories in the treaty ports after the Sino-Japanese War of 1894-1895, to expanding its privileges in China with the help of the "Twenty-One Demands" during World War I, to establishing a controlled economy in Northeast China after the 1931 Manchurian Incident, the business model of the zaibatsu was not only a reflection of capital seeking profits, but also an organic part of Japan's overall invasion strategy against China. The "success" of the Japanese zaibatsu in China is inseparable from two key conditions: firstly, the privileges that the Japanese government had secured for the zaibatsu through unequal treaties (such as the right to set up factories in treaty ports and tariff preferences), and secondly, the weakness of the modern Chinese government and the loopholes in the system (such as the weak enforcement of the mining law and the lack of supervision of loans). The bankruptcy of this model is also closely related to the historical process. After the outbreak of the full-scale war of resistance, the awakening of Chinese national consciousness and the rise of the anti-Japanese movement, coupled with changes in the international situation, eventually ended the hegemony of the zaibatsu in China.

Funding

This work was supported by the 2020 National Social Science Fund of China project: Collection, Collation and Research of Data on the Responsibility of the Japanese Zaibatsu for the War of Aggression Against China (No. 20XZS007).

References

[1] Yao Xianhaoet al., Materials on the History of Foreign Trade in Modern China, 1840–1895, Vol. 2, Beijing: Zhonghua Book Company, 1962, pp. 1012–1013.

[2] Naito Hisahiro, Tianjin Five Days Record, in Jingu Manji: Tianjin in Japanese Eyes, Tianjin: Tianjin Ancient Books Publishing House, 2015, pp. 94–95.

[3] Chen Zhenet al., Materials on the History of Modern Chinese Industry, Vol. 1, Beijing: Sanlian Bookstore, 1957, pp. 325–326.

[4] Wang Chuifang, History of Foreign Merchants: Shanghai, 1843–1956, Shanghai: Shanghai Academy of Social Sciences Press, 2007, p. 31.

[5] Mitsui Bussan, Draft History of Mitsui Bussan Co., Ltd., 100 Years, Vol. 1, Tokyo: Japan Business History Institute, 1979, p. 207.

[6] Sherman Cochran, The Third Path into Shanghai's Concessions: Japanese, Western, and Chinese Match Companies, 1895–1937, in Shanghai: Bridge to the World, Vol. 1, Shanghai Academy of Social Sciences Press, 1989, p. 218.

[7] Yamamoto Jotaro Biography Compilation Committee, Biography of Yamamoto Jotaro, Tokyo: Yamamoto Jotaro Biography Compilation Committee, 1942, pp. 117–118.

[8] Yamamoto Jotaro Biography Compilation Committee, Biography of Yamamoto Jotaro, Tokyo: Yamamoto Jotaro Biography Compilation Committee, 1942, pp. 117–118.

[9] Pan Siyue, Mitsui Bussan's Xiamen Branch, in Lujiang Chronicles: Selected Xiamen Historical Materials, Beijing: Central Literature Publishing House, 2004, pp. 283–284.

[10] Mitsui Bussan, Draft History of Mitsui Bussan Co., Ltd., 100 Years, Vol. 1, Tokyo: Japan Business History Institute, 1979, pp. 208–209.

[11] Sherman Cochran, The Third Path into Shanghai's Concessions: Japanese, Western, and Chinese Match Companies, 1895–1937, in Shanghai: Bridge to the World, Vol. 1, Shanghai : Shanghai Academy of Social Sciences Press, 1989, p. 220.

[12] Mitsubishi Corporation, History of Mitsubishi Corporation, Vol. 1, Tokyo: Toppan Printing Co., Ltd., 1986, pp. 233–234.

[13] Sun Yan, Mitsubishi Zaibatsu and War, Doctoral dissertation, Northeast Normal University, 2017, p. 100.

[14] Toa Dobun Shoin, Complete Book of Chinese Economy, Vol. 12, Tokyo: Toa Dobun Association Compilation Bureau, 1908, p. 623.

[15] Yang Dajin, General History of Modern Chinese Industry, Shanghai: Shanghai Commercial Press, 1933, p. 678.

[16] Li Tingjiang and Orito Koaki, The 1911 Revolution and Asia, Beijing: Social Sciences Academic Press, 2015, p. 338.

[17] Zhang Yanshen, History of Japan's Invasion of China through So-Called Joint Ventures, Beijing: Sanlian Bookstore, 1985, pp. 57–58.

[18] Tianjin Compilation Center, Figures of Japanese Militarist Invasion of China, Beijing: China Literature and History Press, 1994, p. 116.

[19] JACAR (Asia Historical Materials Center) Ref. B13080742900, World War I Relations / China Section, Volume 10 (7-1-8-28_4_010), Ministry of Foreign Affairs Diplomatic Archives.

[20] Zhang Yanshen, History of Japan's Invasion of China through So-Called Joint Ventures, Beijing: Sanlian Bookstore, 1985, pp. 94–95.

[21] Zhang Yanshen, History of Japan's Invasion of China through So-Called Joint Ventures, Beijing: Sanlian Bookstore, 1985, p. 71.

[22] Toa Dobun Association, translated by Hu Xinian, Memoirs of China, Beijing: Commercial Press, 1959, p. 451.

[23] Du Xuncheng, Japanese Investment in Modern China, Shanghai: Shanghai Academy of Social Sciences Press, 2018, p. 122.

[24] Hu Ze, Political and Business Genius Sheng Xuanhuai, Beijing: Commercial Press, 2015, p. 303.

[25] Chen Xulu, Hanyeping Company, Vol. 2, Shanghai: Shanghai People's Publishing House, 1986, pp. 542, 546.

[26] Zhu Xun, History of Chinese Mining, Beijing: Geological Publishing House, 2010, pp. 122–123.

[27] Zhang Yicheng, Outline of Modern Chinese Mining History, Beijing: Meteorological Press, 2012, p. 62.

[28] Tian Fulong, Chronicle of Hunan's Modern Century, Changsha: Hunan People's Publishing House, 2009, p. 197.

[29] Zhu Xun, History of Chinese Mining, Beijing: Geological Publishing House, 2010, p. 123.

[30] Hunan Provincial Gazette Compilation Committee, Hunan General Chronicle, Vol. 1, Changsha: Hunan People's Publishing House, 2007, p. 472.

[31] Jiao Jianhua, Financial History of the Republic of China, Vol. 1, Changsha: Hunan People's Publishing House, 2015, pp. 337–339, 351.
[32] Sakamoto Masako, Zaibatsu and Imperialism: Mitsui Bussan and China, Beijing: Social Sciences Academic Press, 2011, pp. 130–131.
[33] Sakamoto Masako, Zaibatsu and Imperialism: Mitsui Bussan and China, Beijing: Social Sciences Academic Press, 2011, p. 119.
[34] Mitsui Bussan, Hankou Branch Taisho 8th Year Branch Manager Meeting Materials, Tokyo: Mitsui Bussan, 1919, pp. 26, 24.
[35] Du Xuncheng, Japanese Investment in Modern China, Shanghai: Shanghai Academy of Social Sciences Press, 2018, pp. 24–25.
[36] Mitsui Bussan, Fourth Branch Manager Meeting Minutes, Tokyo: Mitsui Bussan, 1916, p. 88.
[37] Mitsui Bussan, Fifth Branch Manager Meeting Minutes, Tokyo: Mitsui Bussan, 1917, p. 63.
[38] Higuchi Hiroshi, translated by Beijing Compilation Society, Japanese Investment in China, Beijing: Commercial Press, 1959, pp. 169, 266, 237.
[39] Mantetsu Economic Research Association, Development and Collapse of Shandong's Commercial Economy, Mantetsu Economic Research Association, 1935, p. 7.
[40] Zhuang Weimin and Liu Dake, Japanese Industrial and Commercial Capital and Modern Shandong, Beijing: Social Sciences Academic Press, 2005, pp. 339, 388, 415, 431.