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War Losses and Reparations (China)

By [Chi-hua Tang](#)

China's war losses during World War I were primarily composed of 1) public and private losses amounting to approximately 21.5 million yuan, caused by the Japanese army during its passage across Shandong in the assault on Qingdao (Japan refused to pay reparations); and 2) losses caused by Germany due to the hostilities, such as the slaughter of Chinese laborers at sea, loss of funds and materials for the Longhai Railway, and the losses of foreign-based Chinese nationals and Chinese factories. After the negotiations between China and Germany, Germany was willing to offer reparations: China received approximately 116 million yuan in total. Overall, China's financial gains from its participation in World War I were greater than its war losses.

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1. Introduction

It is difficult to clearly evaluate [China's](#) war losses during World War I (WWI). Firstly, defining the time period in question is a complex matter: China passed through a period of [neutrality](#) (August 1914 – March 1917), a period of severance of diplomatic relations (March 1917 – August 1917), and a period of declaration of war (August 1917 – November 1918). During which of these periods may the losses incurred be calculated as war losses? Secondly, defining which country should be responsible for the war losses in China is also complex: although it was not at the center of the battlefield of WWI, China's war losses were still enormous. As [Japan](#) attempted to attack the German concession in Jiaozhou Bay between August and November 1914, Japanese troops crossed Chinese soil and occupied the region along the Jiaozhou-Jinan Railway. China declared neutrality, but violated the obligations of neutrality by demarcating a "War Zone" for the passage of the Japanese troops. Yet Japan passed beyond this zone, and encroached upon Chinese sovereignty. The international dispute between the two countries left China with the question of which country should be held responsible for war loss reparations. This question generated many complex issues of [international law](#). Even today, this question still has not been well-researched. An additional question is how the status of [Chinese laborers](#) in the European battlefields of World War I was to be defined: were they citizens of China (first a neutral country and later a belligerent country), or were they laborers hired by a belligerent country? When Chinese laborers were killed in an attack by German [submarines](#), was it murder, or did they die on the battlefield in World War I? Finally, valuing Chinese currency was a complex matter at the time: silver yuan, Customs tael, and copper coins were all used; the added complication of foreign currency exchange rates means that it is essentially impossible to arrive at an exact figure.

This paper does not intend to delve into the complex issues listed above, but shall be based only on the claims for war loss reparations that the Chinese delegation made against [Germany](#) and [Austria](#) at the [Paris Peace Conference](#); the arrangement for war reparations made during the separate negotiations for peace between China and Germany; and the claim for Shandong war losses made against Japan. This paper covers three general categories: 1) the claim for reparations from Japan; 2) the claim for reparations from Germany; and 3) the claim for reparations from Austria.

Calculations of currency valuation shall be essentially based on the then-standard exchange rate: 1 USD = 2 Chinese silver yuan = 5.2826 francs, with the yuan as the basic unit.

2. Claim for Reparations from Japan: Qingdao War Losses

World War I erupted in late July 1914. On 3 August, the Peking Ministry of Foreign Affairs issued a memorandum to nations around the world, stating that it was not permitted to wage war on Chinese soil, territorial seas or foreign concessions. On 6 August, the President issued the 'Regulations on Neutrality', stating that China would observe strict neutrality. On 23 August, Japan declared war on Germany; on 2 September, Japanese troops disembarked in Shandong. On 3 September, the Ministry of Foreign Affairs gave diplomatic notice to all nations: since the German army and the

Japanese-British allied forces had every appearance of having prepared for military engagement, there was no alternative but to refer to the precedent of the [Russo-Japanese War](#) of 1904-1905.^[1] The ministry stated:

Following this precedent, the Chinese Government cannot but declare that at Lungkow [Longkou], Laichow [Laizhou], and the neighbourhood of Kiaochoo [Jiaozhou] Bay adjoining thereto, which constitute the minimum territory actually necessary for the passage and use of belligerent troops, it cannot hold itself responsible for the maintenance respecting neutrality as previously promulgated.

At the same time it is still incumbent upon the belligerent Powers to respect the territorial and administrative rights of China, and the persons and properties of Chinese officials and people within the area above designated.^[2]

A diplomatic note was also sent to Japan's ambassador to China, stating that China would not be held responsible for protecting the railway between Wei County and Jinan. The Japanese ambassador replied that the Japanese troops would not march west of Wei County. However, soon after his reply, the Japanese military claimed that the Jiaozhou-Jinan Railway was an extension of the German concession. On this pretext, the Japanese army soon occupied the stations along the line between Wei County and Jinan. This further violated China's neutrality, giving rise to thorny diplomatic and international legal controversies.^[3]

China's neutrality required the Chinese government to protect the properties of foreign nationals and governments. Did China have the right to demarcate a War Zone and issue a diplomatic notice stating that China could not be held responsible for protection? Was it necessary for China to demarcate a War Zone following the outbreak of these hostilities? On what legal principle or precedent could this be based? By demarcating the War Zone, China seemingly permitted [Britain](#) and Japan to destroy its neutrality. If Germany had regarded China's demarcation of a War Zone as proof that China gave Japan permission to attack Qingdao, how could such an accusation be refuted? Did the Japanese army violate the neutrality of the many facilities within the War Zone? These questions are all related to the issue of whether Japan violated China's neutrality and caused war losses.

In the opinion of the Chinese government, due to the issue of the concession, China had no alternative but to demarcate the War Zone so as to embrace [pacifism](#). The belligerent countries could not wage war within the borders of a neutral state. As sovereignty over the concession was held by the nation that had leased it, the concession could not be regarded as the territory of a belligerent state. There was precise and immovable evidence that the Japanese army had violated China's neutrality.

Japan's violation of China's neutrality falls under three categories. The first category of incidents demonstrated beyond all doubt that the Japanese army had violated neutrality. For instance, it was legally undeniable that the Japanese army occupied and seized the post office and taxation office in

Longkou, committed murder and plundered property, [raped women](#), humiliated government officials, and other matters. In the second category of incidents, the Japanese army established railways and electrical wires for military use. Although this was necessary for military purposes, the construction of such facilities either sabotaged civil properties or encroached upon territorial administrative authority on Chinese soil, either of which must be seen as a violation of neutrality. In the third category, the Japanese army's various illegal actions outside the war zone violated Chinese sovereignty.

Upon investigation, the Peking government determined that the Japanese army had caused losses to the Chinese government and its people in its passage across Shandong to invade and occupy Qingdao. These were divided into private losses and public property losses.

2.1. Private Losses

1. Request for Reparations for Casualties and Loss of Life from the Japanese State: It was estimated that Japanese troops killed ninety-seven people and severely wounded twenty-eight, and also raped a certain number. There were fifty-two cases in all, and 9,624,908 yuan was requested as reparations.
2. Request for Reparations for Casualties and Loss of Life from Private Japanese Subjects: It was estimated that Japanese subjects killed one person and wounded two. There were three cases in all, and 50,687 yuan in silver coins was requested as reparations.
3. Requests for Reparations for Private Losses from the Japanese State: It was estimated that the Japanese army's passage across the border resulted in a total of 136 cases involving harassment, private losses, the seizure of private lands, the entry of Japanese soldiers into homes for the purpose of harassment, company and store losses, cutting of grain seedlings by the Japanese army, the forcible occupation of private homes as well as the post office in Laiyang, the seizure of silver coins, the occupation of private lands, a prohibition on the storage and sale of coal by Chinese merchants, ransacking and arrests, the occupation and seizure of private lands to serve as drill grounds, arson, occupation and razing of houses, seizure of tradesmen's goods, detention of the county magistrate of Changle, unauthorized arrest of students in Yidu County by Japanese soldiers, beating of policemen in the Jimo stations by Japanese soldiers, and other matters. 4,719,786.222 yuan was requested as reparations.
4. Requests for Reparations for Private Losses from Private Japanese Subjects: It was estimated that a total of nineteen cases involving Japanese subjects' occupation of land outside of the railway zone, forcible occupation of private land and houses, forcible leasing of private houses, mining, forcible renting of private land, plundering, and arson occurred. 98,747.81 yuan was requested as reparations.

2.2. Public Property Losses

During their passage through the War Zone, the Japanese troops occupied and seized farmland in the commercial district of Jinan, occupied the taxation office of Longkou, compelled the Jiao County

magistrate to prepare their military commodities, looted German merchants (which loss was compensated by the Chinese treasury), paid little or nothing for food supplies from Chinese merchants (which loss was compensated by local county governments), caused damage to governmental properties and personnel, caused the suspension of local telegraphic and postal services, occupied police directorates, forced Chinese policemen to withdraw from the Jiaozhou-Jinan Railway, paid Chinese merchants with military coupons along the railway line, prohibited Chinese troops from crossing the railway line to pursue local bandits, built a temporary railway between Jinshanling and Tieshan, broke China's monopoly on salt, occupied postal offices, established their own postal offices along the Jiaozhou-Jinan Railway, did not allow Chinese people to send telegrams and posts, occupied telegraphic stations, cut telegraphic lines, and carried out mining and road construction without consulting Chinese authorities. There were twenty-seven cases in all, and 6,921,401.518 yuan was requested as reparations.^[4]

The total sum of the above losses was calculated to be approximately 21.5 million yuan. At the Paris Peace Conference, China had not yet made claims against Germany. At the Washington Conference of 1921-1922, China and Japan conducted negotiations over the Shandong issues: on 1 February 1922, they signed the "Treaty for the Settlement of Outstanding Questions Relative to Shandong." The annex to this treaty, "Agreed Terms of Understanding Recorded in the Minutes of the Japanese and Chinese Delegations Concerning the Conclusion of the Treaty for the Settlement of Outstanding Questions Relative to Shandong" included Article 6, "Claims," which stated:

Clause 14: The omission of any reference in the Treaty to the question of claims which Chinese citizens may have against the Japanese authorities or Japanese subjects, for the restitution of real property in Shandong or for damages to the persons and property of Chinese citizens in Shandong, shall not prejudice such claims.

Clause 15: The Chinese authorities shall furnish the Japanese authorities with a list of such claims together with all available evidence in support of each claim. Justice shall be done through diplomatic channels as regards the claims against the Japanese authorities, and through ordinary judicial procedure as regards the claims against Japanese subjects. With respect to the latter class of claims, the investigation into actual facts of each case may, if necessary, be conducted by a Joint Commission of Japanese and Chinese officials, in equal number, to be specially designated for that purpose.

Clause 16: The Japanese government shall not be held responsible for any damages which may have been directly caused by military operations of Japan during the late war.^[5]

Later, China and Japan conducted two-party negotiations on the "Detailed Agreement on Outstanding Questions Relative to Shandong." The Chinese mentioned the question of the Shandong

reparations cases, but the Japanese representative did not accept that this matter should be handled at a conference on the detailed agreement. Ultimately the “Detailed Agreement on Outstanding Questions Relative to Shandong” was signed on 1 December 1922. In the annex, “Diplomatic Correspondence Regarding Article Six “Claims” in the Terms of the Agreement,” the Chinese diplomatic note stated: “Since the Japanese do not believe that the issue of reparations for damages should be handled in a conference on the detailed agreement, we recommend that the Japanese government form a Joint Commission charged with resolving this matter, to settle these issues which have been outstanding for many years.” The official Japanese response stated: “Such a commission would not have the authority to reach an agreement on these cases; if the honored country’s government would set aside these cases and propose separate negotiations on the basis of the terms and provisions of the agreement, our country’s government would not disagree.” However, China and Japan did not launch negotiations regarding reparations for Shandong war losses, and the matter was left unresolved. [6]

2.3. Claim for Reparations from Germany

2.3.1. Loss Reparations Proposed by the Chinese Delegation at the Paris Peace Conference

Prior to the Peace Conference, the Peking Government requested each ministry to conduct a detailed investigation into the sum of losses related to World War I. The ministries reported enormous sums, yet there was a lack of clear evidence. After deliberations, the Chinese delegation formally proposed the following claims against Germany to the Peace Conference on 7 March 1919:

1. 1,968 Chinese laborers were killed at sea; the pension for each individual was 1000 yuan, for a total of 1,968,000 yuan.
2. The loss of funds and materials for the Longhai Railway due to the capture of [Belgium](#) by Germany amounted to 74,040,000 francs.
3. Losses to foreign-based Chinese nationals and factories were in excess of 2,690,000 yuan, 3,250,000 francs, 3100 pounds sterling, and 7,210,002,550,000 marks.
4. The recovery of payments for the purchase of ordnances which were not delivered due to the outbreak of war: in excess of 113,000 taels, 339,000 yuan, GBP 15,000, and 14,787,000 marks.
5. [Prisoner-of-war](#) housing costs: following the declaration of war, China established a prisoner-of-war camp which housed seventy-eight members of the armed escort for the German and Austrian embassies; sixty-three members of the German navy of Nanjing; as well as 670 German and Austrian prisoners-of-war housed in Manchuria and Xinjiang who had escaped across the Russian border, for a total number of 1,033. Expenses totaled more than 2,060,000 yuan. [7]

Since China refused to sign the [Treaty of Versailles](#) with regard to Germany, when China and Germany made their agreement, they also withdrew from the “reparations committee” of the Entente Powers. Consequently, this case was left unresolved; however, it may serve as a reference for

China's war losses.

2.3.2. War Reparations in the Negotiations between China and Germany

Prior to World War I, the [German government](#) and people invested enormous sums in China: aside from the government's investment in railways and mines, German subjects invested primarily in the two British-German loans of 1896 and 1898, the railway loans for the Jinpu (1908, 1910) and Huguang (1911) lines, as well as the 1913 Reorganisation Loan. German enterprises in China included the *Deutsch-Asiatische Bank* and the Jingxing Coal Mining Administration; the main businesses included Siemens, Carlowitz, Melchers and other foreign firms. Germany was one of the primary treaty powers in the late Qing and early Republican eras.

On 14 August 1918, after declaring war on Germany, China seized the various properties of German subjects in China, and suspended repayment of its debts to Germany. During the Paris Peace Conference, China refused to sign the peace treaty with regards to Germany. When China and Germany concluded their separate treaty, the latter was anxious to recover the properties of German subjects in China to serve as a foundation to reclaim the Chinese market, and agreed to pay war loss reparations to China to ransom the German properties.

At the start of negotiations, China demanded reparations for the total sum of 223,016,162.171 yuan.^[8] The primary damages claims were:

Category One: Expenses	102,580,986.133 yuan
Item 1: Expenses for the Protection of German Nationals	1, 017,228.737 yuan
Item 2: Expenses for the Relief of German Nationals	106,132.754 yuan
Item 3: Expenses for the Repatriation of German Nationals	951,060.669 yuan
Item 4: Military Expenses for Participation in Hostilities	100,506,563.973 yuan
Category Two: Losses	120,420,330.33 yuan
Item 1: Government Losses (Including losses related to goods purchased from German merchants by various departments; bank deposits; transportation funds, such as the sums advanced by Belgian companies designated for the Longhai and Bianpo railways, as well as various European loans and interest intended for those lines; bridges commandeered by Germany; and European	46,170,411.526 yuan

loans and interest in pounds sterling for the Tongcheng Railway)	
Item 2: Local Losses (Including deposits made for goods purchased by various provinces from German merchants, which were not delivered due to the impact of the hostilities; and the destruction of buildings in Jimo and a dozen other counties in Shandong, as well as schools in Qingdao)	10,164,689.94 yuan
Item 3: Private Losses (Including individual deposits with commercial firms in Europe which were confiscated due to the hostilities; deposits made for goods purchased from German merchants, which were not delivered; 15,670,000 yuan in loss-of-life compensation for Chinese laborers; 108,079.20 yuan in property losses for Chinese laborers murdered during the war; 4,954,252.908 yuan in loss of wages for murdered Chinese laborers; 17,516,520 yuan in pension payments for murdered Chinese laborers; and 46,029.583 yuan in demobilization relief and other expenses for murdered Chinese laborers. Qingdao tradesmen suffered loss-of-life compensation losses of 21,044,173.754 yuan due to the Japanese-German War.)	64,100,075.418 yuan
Total Expenses and Losses:	223,016,162.171 yuan

Table 1: Chinese Demands for German Reparations^[9]

This claim included 100,506,563.973 yuan in military expenses for participation in the hostilities. Since the Entente Powers had unanimously agreed at the Paris Peace Conference to omit military expenses, this sum was quickly withdrawn. The remaining sum amounted to approximately 117 million yuan. However, the losses itemized by each organization included private debts which should be handled personally, as well as indirect losses, which were difficult to authenticate. Only 40 to 50 million yuan was a valid topic of discussion, and much of the evidence related to this sum was incomplete. However, since Germany was extremely anxious to recover the seized German properties, it did not haggle over the details. By June 1924, the two parties had reached an agreement, and China received:

Prisoner of war housing expenses:	3,000,000 yuan
Cash:	4,000,000 yuan
Bonds, mature coupons, etc.:	Approximately 95,000,000 yuan
Returned bonds and paid-in debts:	Approximately 43,000,000 yuan

Total: 145,000,000 yuan

Table 2: Agreed German Reparations for China^[10]

China was also to return German-Chinese bank properties and pay 26 million yuan in debt to Germany. China's net gain was 116,000,000 yuan.

2.4. Claim for Reparations from Austria

Prior to World War I, the Chinese Naval Ministry ordered a destroyer from an Austrian shipyard, and had already paid a deposit of GBP 26,000. When the war started, the warship was confiscated by the Austrian Army and was not delivered. At the Paris Peace Conference, the Chinese delegation claimed reparations from Austria: A refund of more than GBP 1,980,000 for the undelivered destroyer as well as 860,000 marks for the losses of Chinese nationals in Austria.

During the negotiations between China and Austria in 1921 over a commercial treaty, China made the following claims: 629,622 yuan in expenses for the relief and repatriation of Austrian nationals and a refund of GBP 26,000 for the deposit paid to the Austrian shipyard contracted to build the destroyer. After prolonged negotiations, the "Chinese-Austrian Trade Treaty" was signed by 19 October 1925, and diplomatic notes were exchanged. Austria agreed in principle to make reparations for expenses for the relief and repatriation of Austrian nationals. However, the Austro-Hungarian Empire had been dissolved following the war, and therefore each of its former constituent countries should share the responsibility for expenses. With regard to the deposit paid to the Austrian shipyard contracted to build the destroyer, Austria pointed out that the deposit had already been paid to the shipyard. After the war, the shipyard had fallen under the jurisdiction of Italy. Therefore, China should take up the matter directly with the shipyard. Ultimately, the two cases were left unresolved.^[11]

3. Conclusion

In conclusion, China's war losses in World War I were very complex, yet based on China's claims for reparations from Japan, Germany, and Austria, its losses were not great. Although the request for reparations from Japan over the Shandong war losses and the request for reparations from Austria were left unresolved, the request for war loss reparations from Germany yielded great gains. The sum that China requested from Germany amounted to more than China's losses during WWI, but the truth was that China gained much more it requested by freezing the indemnities and debts owed to Germany, confiscating the German government's properties in China, and freezing the people's private properties of German nationals. Germany was willing to pay the requested war reparations in order to recoup the confiscated properties of the German government and people. Overall, China's financial gains stemming from its participation in World War I were greater than its war losses.

Chi-hua Tang, Tunghai University

Section Editor: Xu Guoqi

Translator: [Carissa Fletcher](#)

Notes

1. ↑ China declared neutrality during the Russo-Japanese War of 1904-1905, but the hostilities were centered on Port Arthur, a Chinese port leased to Russia. The [Chinese government](#) therefore declared a “War Zone” for the military operations of the belligerent troops.
2. ↑ “The Ministry of Foreign Affairs to the Diplomatic Representative at Peking Respecting Declaration of War Zone”, quoted from Woodhead, H. G. W. (ed.): *The China Year Book, 1921-1922, Tientsin 1924*, vol. II, p. 677.
3. ↑ “Note from the Ministry of Foreign Affairs to the Japanese Minister at Peking Protesting against Violation of Neutrality.” Woodhead, H.G.W. (ed.): *The China Year Book, 1921-1922*, vol. II, pp. 677-678.
4. ↑ Archives of the Institute of Modern History, Academia Sinica, Taipei, Republic of China, Wai-chiao Pu files, 03-33-132-01-002-005. See also Seiji, Saito: “The Japan-Germany War of Qingdao and the Casualties of Chinese Nationals,” *Academic Journal of Shion Junior College*, 37 (1997), pp. 1-25.
5. ↑ Wang, Tie-ya: *Collections of Sino-Foreign Treaties*, Beijing 1957-1962, vol. III, pp. 209-210.
6. ↑ Wang, *Collections of Sino-Foreign Treaties*, vol. III, p. 344.
7. ↑ Wu, Jisun (ed.): *Miji Lucun [Collections of Confidential Archives]*, Beijing 1984, (reprint), vol. I, pp. 108-109.
8. ↑ Tang, Chi-hua: *Treaty Revision Campaign of the Beijing Government, 1912-1928: Out of the Shadow of the “Abrogation of Unequal Treaties*, Beijing 2010, Chapter 4, Section 2.
9. ↑ Wai-chiao Pu files, 03-37-032-02-012.
10. ↑ Tang, Chi-hua: *Treaty Revision Campaign of the Beijing Government, 1912-1928*, p. 133.
11. ↑ Tang, *Treaty Revision Campaign of the Beijing Government, 1912-1928*, Chapter 4, Section 3; see also Liao, Min-shu: “The First Equal New Treaty: A Preliminary Study of Sino-Austria Commercial Treaty of 1925”, *Historiography of Chung-hsin*, 3 (1997), pp. 111-136.

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