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Staking Claims to China's Borderland: Oil, Ores and State-
building in Xinjiang Province, 1893-1964

A dissertation submitted in partial satisfaction of the requirements
for the degree of Doctor of Philosophy

in

History

by

Judd Creighton Kinzley

Committee in charge:

Professor Joseph Esherick, Co-chair
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2012

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2012

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I feel honored to have been a part of the UCSD Modern Chinese Program and family. The seminars I took during coursework played a critical role in helping mold this project and I have benefitted greatly from the comments of all of my colleagues and friends in the program, most especially Emily Baum, David Cheng Chang, Ellen Huang, Justin Jacobs, Matthew Johnson, and Zheng Xiaowei. I would also like to thank Suzanne Cahill, Lu Weijing, and all of the members of my dissertation committee. I would especially like to thank Sarah Schneewind for her careful reading and on-going support. I owe a particular debt of gratitude to my advisors Paul Pickowicz and Joseph Esherick without whom this project would never have been completed. The amount of time and effort they put into their students should be an inspiration to us all, and I feel deeply grateful for having been on the receiving end of their teaching.

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ABSTRACT OF THE DISSERTATION

Staking Claims to China's Borderland: Oil, Ores, and Statebuilding
in Xinjiang Province, 1893-1964

by

Judd Creighton Kinzley

Doctor of Philosophy in History

University of California, San Diego, 2012

Professor Joseph Esherick, Co-chair
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My dissertation focuses on the state campaigns to gain access to the mineral wealth of China's westernmost province of Xinjiang in the late nineteenth and twentieth centuries. This approach helps reveal the important connections that exist between natural resources and the expansion of the state. The early twentieth century German economist Erich Zimmerman once argued that the earth's minerals only become "resources" through socio-political processes that pinpoint, extract and transport them, noting that "natural resources are not, they become." In a similar way, frontiers too are in the process of "becoming," and in the case of Xinjiang, the transformation of minerals into natural resources paralleled the transformation of this imperial frontier into a component part of the modern Chinese nation-state. My work finds that the campaigns to pinpoint, extract, and control the distribution of mineral wealth led to extensive mapping of the province, helped attract necessary capital for

large-scale infrastructural projects, and served as a high wage incentive for destitute settlers from eastern and central China to migrate to this border region.

Focusing on the links between state power and natural resource extraction in Xinjiang, my dissertation recasts the narrative of state building in China's west. The integration of Xinjiang into the Chinese nation-state was not simply the product of military conquest or Han Chinese ethno-cultural subjugation as many Western scholars have suggested, nor was it merely the outcome of a triumphal Chinese manifest destiny as asserted in the Chinese language scholarship. Instead, state building in this region long squeezed uncomfortably between China and Russia (later the Soviet Union) was a far more complex process, as various actors battled for control of Xinjiang's rich natural resources. Chinese leaders including Sun Yatsen, Chiang Kai-shek and later Mao Zedong all struggled to stake a claim to Xinjiang's mineral wealth in the face of competing claims from the Soviet Union and an assortment of provincial governors not particularly inclined to kowtow to Beijing, Nanjing or to Moscow.

Introduction

Toward a New History of State Building in China's West

“Those who enter [the Jade Gate] pass through the sorrows of an extremely cruel climate and into a place where the bleached white bones of men and horses exist in abundance,” wrote a high ranking Qing official in a 1911 memorial to the Qing court.¹ The author, Yuan Dahua, was not describing a voyage into hell, but into China's westernmost province of Xinjiang. His portrayal of the province is not unusual. Officials, elites, and migrants from regions “inside the pass” (*guannei*), or what I shall refer to as “China-proper” had been writing descriptions of Xinjiang since its initial conquest by Qing armies in 1759 which are steeped more in myth than reality. For them, Xinjiang existed as a desolate wasteland, where the land was not productive, where barbarians ran wild, and where culture and civilization were in short supply.² This deeply ingrained impression, which travelers, officials, and traders propagated and kept alive through poetry, travelogues, and other forms of cultural production, openly pointed to the need for the guiding hand of the Middle Kingdom. In holding up the terrors of Xinjiang's natural environment, Yuan, who was himself the last Qing governor of the province, was calling for the transformation of Xinjiang and its integration into a broader China-centered sphere.

¹ Yuan Dahua, *Xinjiang tuzhi* (hereafter XJTZ). (Taipei: Wenhai chubanshe, 1906, 1923, 1965) 572

² L.J. Newby, “The Chinese literary conquest of Xinjiang.” *Modern china* 25:4 (October 1999)

From the initial conquest through much of the nineteenth century, Qing officials were content to keep Xinjiang as a land apart. Not only was the integration of Xinjiang, which means “New Dominion” in Chinese, not a priority of the Qing court, in fact, it was actively opposed by many high ranking officials, who preferred to retain the region as a frontier “dependency” (*fanshu*). Originally conquered to firm up the Qing empire’s borders, these officials feared that undertaking a broader process of integration would bankrupt the Qing treasury and would lead to the fundamental destabilization of these critical areas and endanger the realm. Yet, beginning in the late nineteenth century, new threats from the Russian and British Empire along the Qing empire’s western border prompted ambitious attempts to bind the region more closely to the Qing polity and transform it from a chunk of barbaric wasteland into a component part of a new nation-state in the making.

This process of transformation was part of a multi-faceted claim on the region or, as the geographer Robert Sack describes it, an expression of China’s “territoriality” in Central Asia.³ Addressing the issue of claims rather narrowly, Western scholars of Xinjiang have tended to take a page from the voluminous scholarship on nation building, highlighting maps and mapmaking as a critical component of the state’s attempt to “imagine” a nation-state.⁴ Indeed, a series of treaties and border surveys in the 1880s and

³ Robert David Sack, *Human territoriality: its theory and history* (New York: Cambridge university press, 1986)

⁴ For the case of Xinjiang see: Joseph Esherick, “How the Qing became China.” Joseph W. Esherick, ed. *Empire to nation: historical perspectives on the making of the modern world* (Berkeley: University of California Press, 2006), James Millward, “‘Coming onto the map’: western regions geography and cartographic nomenclature in the making of Chinese empire in Xinjiang.” *Late imperial China* 20 no.2 (December 1999): 61-98;

1890s helped fix the western border of the Qing empire. Maps of the empire reflecting these efforts were taught in schools throughout the realm, thereby helping fix regions like Mongolia, Tibet, and Xinjiang as territorial components of the new nation in the minds of many citizens.⁵ But Qing officials were also well aware that drawing boundaries and “claiming” territory, particularly in contested frontier regions like Xinjiang required more than simply establishing border commissions, undertaking surveying operations, and promulgating the image of the Qing “geobody” to a receptive population.⁶ Beginning in the last decade of the Qing period but continuing up until the present-day, officials sought to bind frontier regions like Xinjiang ever closer to an emerging Chinese nation-state. They attempted to undertake this difficult task not only through the dissemination of new national ideologies and discourse, but through the construction of infrastructure, investment, and national economic development plans.

In this work, I refer to this process of transformation and integration as “state building.” In using this term, I do not intend to invoke all of the teleological associations of state or nation building. I am not seeking to suggest that China’s claim to Xinjiang or indeed any of its vast peripheries was inevitable, indeed the process of transforming the

Peter Perdue, “Boundaries, maps, and movement: Chinese, Russian, and Mongolian empires in early modern Central Eurasia” *International history review* 20 no. 2 (1998) 263-286; For the scholarship on the linkages between mapping and cartography and the nation-state see Benedict Anderson, *Imagined communities: reflections on the origin and spread of nationalism* (New York: Verso, 1991) and Thongchai Winichakul, *Siam mapped: a history of the geo-body of a nation* (Honolulu: University of Hawaii press, 1994)

⁵ Esherick, “How the Qing became China” 238-243

⁶ Winichakul, *Siam mapped*

imperial frontier into an integrated component of the Chinese nation-state as yet remains incomplete and for all intents and purposes may never be completed. Yet, beginning in the late Qing period and continuing well into the first half of the twentieth century, the term *jianguo*, which I translate as “state building” was a very real concept. Sun Yatsen’s three volume work *A General Plan for State Building* (*Jianguo zhi fanglue*) served as the blueprint for Chinese state building, clearly planning the rail lines, highways, ports, and mineral extraction enterprises that would transform not only Xinjiang but all of China. For many agents of the Chinese state operating in Xinjiang in the late nineteenth century and first half of the twentieth, this concept of state building served not as an abstract platitude but as a call to arms.

Defining the nature of this transformation and the dynamics of the state building process has been an important component of scholarly works on modern Xinjiang. Many of the older works on this process adopt a framework of analysis which views the region dualistically, with the Chinese politico-military apparatus sitting ever in opposition to a restive non-Chinese Muslim population. Xinjiang has thus been falsely divided into two distinct and separate groups: Chinese and non-Chinese, or, as perhaps the most well-known work on Xinjiang in the Republican period puts it, “warlords” and “Muslims.”⁷

⁷ Andrew Forbes, *Warlords and Muslims in Chinese Central Asia: a political history of Republican Sinkiang 1911-1949* (New York: Cambridge university press, 1986); See also, Owen Lattimore’s work, *Pivot of Asia: Sinkiang and the Inner Asian frontiers of China and Russia* (Boston: Little Brown, 1950) and Linda Benson’s work *The Ili rebellion: the Moslem challenge to Chinese authority in Xinjiang, 1944-1949* (Armonk, NY: M.E. Sharpe, Inc., 1990). This sampling of these earlier works is not intended to disparage them, Lattimore, Benson, and Forbes offer important perspectives on modern Xinjiang. Other important works on Xinjiang from this earlier period include Allen S. Whiting and Sheng Shih-ts’ai, *Sinkiang: pawn or pivot?* (East Lansing, Mich.: Michigan

The dualistic framework used to analyze Xinjiang has in many ways recreated a faulty “frontier” dynamic, a framework that scholars of other peripheries have discredited. The image of a monolithic state struggling to expand in the face of an ill-defined, restive native population hearkens back to simplistic images of the U.S. West, which pit white pioneers pushing west to fulfill America’s manifest destiny against non-white “Indians” seeking to defend their uniformly traditional ways. As Patricia Limerick explains in her critique of Frederick Jackson Turner’s use of the term “frontier,” the concept of a frontier in the case of the American West “is an unsubtle concept in a subtle world.”⁸

Chinese language scholarship on Xinjiang has long been shaped by political constraints which require that the starting point for inquiry be the province’s unquestioned historic connections to China-proper.⁹ While a number of Chinese scholars have drawn upon important new sources and perspectives on the province, their work remains fundamentally shaped by this national narrative.¹⁰ In response, a number of

State university press, 1958); Donald McMillen *Chinese Communist Power and Policy in Xinjiang, 1949-1977* (Boulder: Westview press, 1979)

⁸ Patricia Nelson Limerick, *The Legacy of conquest: the unbroken past of the American West* (New York: W.W. Norton, 1987) 25

⁹ For an example of this narrative, see, Li Sheng, *Xinjiang of China: its past and present* (Urumqi: Xinjiang people’s publishing house, 2005).

¹⁰ Li Sheng’s work on Sino-Soviet trade in Xinjiang draws upon important new sources from the Xinjiang Uighur Autonomous Region *Xinjiang dui Su (E) maoyishi, 1600-1990* (Urumqi: Xinjiang renmin chubanshe, 1994); Cai Jinsong’s biography of Sheng Shicai, *Sheng Shicai zai Xinjiang* (Zhengzhou: Henan renmin chubanshe, 1998), utilizes new materials from the Second Historical Archives in Nanjing, P.R.C.; Huang Jianhua’s work *Guomindang zhengfu de Xinjiang zhengce yanjiu* (Beijing: Minzu chubanshe, 2003) draws on a number of underutilized published and unpublished archival sources to reveal the complexities of Nationalist policies in Xinjiang; Shen Zhihua’s, “Zhong Su jiemeng yu Sulian dui Xinjiang zhengce de bianhua (1944–1950)”, *Jindaishi yanjiu* 3 (1999)

Western scholars in recent years have taken it upon themselves to critique these nationalistic narratives promoted by the Chinese state apparatus. Over the last twenty years in particular, there has been a flurry of new works from scholars who are seeking to complicate the relationship between the Chinese state and the region of Xinjiang from the late nineteenth century through the twentieth.¹¹ Influenced by scholarly trends attempting to reconstruct the all too often silenced voices of subaltern, peripheral, and ethnic minorities, these works have been quite successful in, as Prasenjit Duara advocates, “rescuing” narratives present in China’s peripheral regions and holding them up against the broader nation-centered narratives.¹² These works have turned the object of inquiry away from China’s cultural, political, and ethnic heartlands in an attempt to not only gain a more holistic understanding of China, but also to reveal truths about the metropole

utilizes new Soviet archival data to flesh out Sino-Soviet machinations in Xinjiang in the 1940s; similarly, the compiled volume: Wu Fuhuan and Wei Zhanghong, eds. *Xinjiang jinxindai jingji yanjiu wenji* (Urumqi: Xinjiang daxue chubanshe, 2002), likewise draws upon new sources to address Xinjiang from a number of new and innovative approaches.

¹¹ See Gardner Bovingdon, *The Uyghurs: strangers in their own land* (New York: Columbia university press, 2010); Dru Gladney, *Dislocating China: Muslims, minorities, and other subaltern subjects* (Chicago: University of Chicago press, 2004); Dru Gladney, *Muslim Chinese: ethnic nationalism in the People’s Republic* (Cambridge, MA: Harvard university press, 1991); Justin Jacobs, “How Chinese Turkestan became Chinese: visualizing Zhang Zhizhong’s *Tianshan Pictorial* and Xinjiang youth song and dance troupe” in *Journal of Asian studies* 67, no. 2 (May 2008) 545-591; Jonathan Lipman, *Familiar strangers: a history of Muslims in northwest China* (Seattle: University of Washington Press, 1997); Justin Jon Rudelson, *Oasis identities: Uyghur Nationalism along China’s silk road* (New York: Columbia university press, 1997); Joanne Smith “‘Making culture matter’: symbolic spatial and social boundaries between Uyghurs and Han Chinese” in *Asian ethnicity* 3, no. 2 (2002) 153-174

¹² Prasenjit Duara, *Rescuing history from the nation: questioning narratives of modern China* (University of Chicago Press: Chicago, 1995)

that can only be revealed in the periphery.¹³ These new books, edited volumes, and articles by Western scholars as well as several recently completed dissertations which use new sources and as a result integrate new voices, have shed valuable light on the transformation of China's west in the twentieth century.

The process by which Xinjiang became Chinese is coming into ever clearer focus. These works on Xinjiang have created a three dimensional understanding of the ways in which indigenous actors interact with the state. Yet, these works have been unable to fully shrug off the constraints of the dualistic frontier dynamic in analyzing state building in the province. On the one hand, they do explicate the diversity of Xinjiang's indigenous population and the various cultural, ethnic, religious, and regional differences that continue to divide the populations that exist within the province's borders. On the other hand, with only a few exceptions, an equally nuanced understanding of the state agents involved in Xinjiang remains sorely lacking.

It does not take much digging to understand that state building in Xinjiang was not one single undifferentiated process directed from the top-down. While leaders in Beijing, Nanjing, and Chongqing may have sought to oversee the integration of the province in the twentieth century, their abilities to personally manage the process were severely restricted by distance, institutional deficiencies and resistance from local state agents. As Richard White explains in his work on North American borderlands in the seventeenth and eighteenth centuries, imperialism "weakens at its periphery. At the

¹³ One important parallel and often intersecting trend in the field of Chinese history are the works of "New Qing History," which seek to reveal the Manchu origins and influences of the supposedly Chinese Qing dynasty.

center are hands on the levers of power, but the cables have, in a sense, been badly frayed or even cut.” In the “middle ground” that existed in Xinjiang between the Chinese nation-state and the Russian and later Soviet Union, state agents operating at the local level were able to shape and mold the state building process to meet their own needs. As White explains, “Minor agents, allies, and even subjects at the periphery often guide the course of empires.”¹⁴

This work seeks to reveal the complexity within the broader category of state agent and expand our understanding of the state building process beyond overly simplified dichotomies and beyond the confines of the nation-state. In my research, I find that in Xinjiang, local officials, merchants, geologists, agricultural settlers, truck drivers, miners and countless others who make up the diverse population of witting and unwitting cogs in the Chinese state apparatus fundamentally impacted the state building process at every level. The sheer distances separating the province from the political, military, and economic institutions of China-proper made it nearly impossible for leaders such as Sun Yatsen, Chiang Kaishek, or even Mao Zedong to fully manage the state building process in Xinjiang. Indeed, rather than taking their actions as a cohesive, undifferentiated whole, this work seeks to reveal the complexity and nuance that existed within the Chinese state structure and the wide assortment of motivations that drove the activities of local state agents.

In this work I seek to reveal not only a more nuanced conception of the agents of the Chinese state who were charged with integrating Xinjiang, but also to offer a more

¹⁴ Richard White, *The middle ground: indians, empires, and republics in the great lakes region, 1650-1815* (Cambridge, MA: Cambridge university press, 1991), xi

expansive understanding of this process which does not end at Xinjiang's international border. A number of recent works, most notably David Wang's *Under the Soviet Shadow* have attempted to overturn a long-held taboo in China toward addressing the role of the Soviet Union in shaping modern Xinjiang.¹⁵ Wang's work and others, however, have tended to address the Soviet role in the province as part of the extended "great game," in which the Soviet Union and Nationalist China undertook a zero-sum struggle over control of Xinjiang. In fact, this interaction was far more complex and multi-layered. There is no question that at various points the Soviet Union sought to incorporate the province and its natural resource wealth into their sphere of influence or cultivate it as a dependent buffer zone. Yet, the legacy of Soviet agents operating in Xinjiang is far less clear cut. The evidence suggests that in many cases, the supposed agents of the Soviet state in Xinjiang were themselves participants in a Chinese state building process which transformed the province into a component part of the Chinese nation-state. The roads constructed, maps drawn, ore fields pinpointed, and economic plans formulated by Russian and Soviet state agents served as an important and all too often overlooked foundation upon which the Chinese state would centralize their hold over the province. Later, more directly, collaborative efforts between the Soviet Union and the People's Republic of China in the 1950s helped further integrate the province into economic and transport networks connecting Xinjiang to China-proper and the rest of Central Asia.

¹⁵ David Wang, *Under the Soviet shadow: the Yining incident, ethnic conflicts and international rivalry in Xinjiang, 1944-1949* (Hong Kong: Chinese university press, 1999), see also Shen Zhihua, "Zhong Su jiemeng yu Sulian dui Xinjiang zhengce de bianhua (1944-1950)," *Jindaishi yanjiu* 3 (1999)

In this work, I seek to reveal the role of external agents not merely as obstacles to an inexorable zero-sum process of national integration, but as participants in a more broadly conceived process of state building. In Xinjiang the state building process cannot be understood from within the confines of the Chinese nation. My work suggests that this process in China's west is a transnational one, as international markets, trade, and global demand for various natural resources helped drive the integration of peripheral regions into China-centered economic, political, and social networks. The transformation of Xinjiang from frontier to borderland was undertaken from multiple directions and by multiple parties.

Chinese scholars have long attempted to highlight the smooth process of national integration in Xinjiang, noting that the history of socio-political connections binding the region to the proto-Chinese nation helped facilitate an inexorable process of integration and incorporation. The editor of a recent Chinese study wrote that he seeks to correct Western scholarship on Xinjiang by focusing on "facts bearing on stability and development" in the province.¹⁶ These facts, he argues, point toward a Chinese manifest destiny in the far west which led inevitably toward the integration of Xinjiang into the Chinese nation-state. My work reveals that this perspective is, as Peter Perdue suggests, an exercise in national "myth making. "State building in Xinjiang was in fact a lurching, fundamentally non-linear process punctured through with contingency and shaped by the whims of local stage agents.¹⁷ These agents fundamentally shaped the process and created a layer of state control that was highly uneven and often ran counter to the needs

¹⁶ Li, *Xinjiang of China its past and present*

¹⁷ Peter C Perdue, *China marches west: the Qing conquest of Central Eurasia* 19

of the Chinese state in Beijing, Nanjing, or Chongqing. The on-going efforts of the Chinese Communist Party to redistribute investment and reconfigure the institutional infrastructure of the province and the region is seen by party officials to be a necessary corrective to the perceived failures of more than a century of state building in the province.

Natural Resources and the Making of Modern Xinjiang

The German economist Erich Zimmerman argued that the earth's minerals only become "resources" through socio-economic processes that pinpoint, extract and transport them, noting that "natural resources are not, they become." Frontiers too are in the process of "becoming," as agents of the nation-state seek to transform them into national borders. This work is an attempt to establish a clear linkage between these two processes of becoming that are all too often seen as simply running parallel to one another, never to intersect. In the preface to a 1921 account of a trip to Xinjiang, Sun Yatsen made this connection explicitly. Writing about China's west, Sun noted, "within the borders of this country there are still large natural resource rich areas that remain unopened, we can use colonists to develop this land and if we do our country's possibilities are truly infinite."¹⁸ The connection Sun makes between the use and manipulation of the natural world and the power and ultimate success of the Chinese state lies at the heart of the state building process in Xinjiang and indeed many of China's peripheries.

¹⁸ Xie Bin, *Xinjiang youji* (Taipei, Wenhai chubanshe, 1974, reprint of 1922), preface

Even before Sun, officials had been making the linkage between the power of the Chinese state and the extraction of natural resources. The late Qing reformer Xue Fucheng called for a more aggressive, state centered policy of resource extraction. He noted “Chinese minerals are plentiful, they are first among the world’s nations. If we are careless they will be taken away, but if we manage them well they can definitely be used for profit.”¹⁹ Qing reformers like Xue and later their Republican and Chinese Communist Party counterparts understood that in the era of modern nation-states, there was an intimate connection between the ability of a state to “transform” its minerals into natural resources and state power. As James C. Scott explains, while previous regimes may have been content to simply exert control over territory, “the modern state increasingly aspired to ‘take in charge’ the physical and human resources of the nation and make them more productive.”²⁰ This task which entailed the ordering and organization of the natural world to meet the needs of the state was a central component of state building in China.

The environmental historian William Cronon helps reveal the dynamics of the larger process of integration and incorporation of natural resources in his work on the linkages between the rise of the city of Chicago and the integration of the resource wealth of America’s “Great West.” He argues that the city facilitated the penetration of capital deep into America’s western border region and in return, “tribute” in the form of various natural resources flowed through Chicago and back east. This exchange helped integrate

¹⁹ Quoted in: Zhao Fengtian *Wanqing wushi nian jingji sixiang shi* [English title: Economic thought during the last fifty years of the Ch’ing Period] (M.A. Thesis. Harvard University, 1939) 42

²⁰ James C. Scott, *Seeing like a state: how certain schemes to improve the human condition have failed* (New Haven, CN: Yale University press, 1998) 51

America's western periphery into capital networks centered in the east.²¹ Recent scholarship endorses Cronon's model and suggests that this pattern holds true in other geographical contexts as well. Scholars have revealed the centrality of oil, gold, and timber in serving as a catalyzing force behind policies of expansion in the U.S. West, of cotton, furs, gold, and oil in driving the Russian state deep into Siberia and Central Asia, and of furs, herring, and trade commodities in prompting the expansion of the post-Meiji Japanese state into the island of Hokkaido.²²

My work suggests that a similar "imperial" dynamic oversaw the economic integration of China's west. Certainly in the Qing period, shipments of jade, horses, and furs from Xinjiang were tributary goods offered to the Qing court. Yet after 1911, more metaphorical tribute goods such as oil, cotton, and industrial minerals flowed east back to China-proper in exchange for the significant investment made by a succession of governments in the province. This process of exchange served to bind the periphery and the metropole into one system, as the state sought to establish more firm control and regularize the production of these "tributary" products. State centered attempts to pinpoint natural resources, to design, fund, and construct infrastructure, and to create

²¹ William Cronon, *Nature's metropolis: Chicago and the great west* (New York: W.W. Norton, 1991) 61

²² David Howell, *Capitalism from within: economy, society and the state in a Japanese fishery* (Berkeley, CA: University of California press, 1995); Andreas Kappeler, *The Russian empire: a multi-ethnic history*, Alfred Clatyon, tr. (Harlow, England: Pearson education, 2001); Yuri Slezkine, *Arctic mirrors: Russia and the small peoples of the north* (Ithaca, NY: Cornell University press, 1994); Willard Sunderland, *Taming the wild field: colonization and empire on the Russian steppe* (Ithaca, NY: Cornell University press, 2004); Brett Walker, *The conquest of Ainu lands: ecology and culture in Japanese expansion, 1590-1800* (Berkeley, CA: University of California press, 2001)

networks of exchange played a central role in the transformation of Xinjiang. The environment was and continues to be an omnipresent factor driving and shaping the efforts and activities of state agents operating in China's far west.

For agents of the Chinese state, the natural world simultaneously existed as both a tantalizing lure for a state desperate for various minerals, as well as a powerful obstacle to the forces of a centralized process of integration. The close and interlocking relationship between the state and the natural world sits at the center of the state building process in China's west and indeed in many of the peripheries of the Chinese state. Yet, scholars addressing this important connection have long tended to focus almost exclusively on the agricultural elements of this interaction. Karl Wittfogel suggested in his influential 1957 work *Oriental Despotism*, that the expansion of the Chinese state was predicated on its ability to manage and control agricultural production. This control depended on the ability of the state to regulate access to water and Chinese state power closely paralleled the extension of irrigation and water management techniques.²³ The successes, and by the late imperial period more often the failures, of the Chinese state's abilities to manage and control agricultural production has been a central feature of works of environmental history in China.²⁴ These works offer an important perspective on

²³ Karl Wittfogel, *Oriental despotism: a comparative study of total power* (New Haven: Yale University Press, 1957)

²⁴ Since the publication of Mark Elvin's *Patterns of the Chinese past* in 1973, a number of scholars have sought to reveal the ecological factors that undermined China's developmental trajectory particularly in the imperial period. The ecological factors first raised by Elvin, which he continues to address in his later work, and which were fleshed out in greater detail by Peter Perdue in *Exhausting the Earth*, Robert Marks in *Tigers, rice, and silk*, and the Chinese scholar Li Bozhong in his work "Changes in climate, land and human efforts", are all specifically focused on questions surrounding the negative

ecological change and make arguments with long lasting resonance for the field of Chinese history. Yet, their explanatory power is limited to agricultural production centers located in central and southern China, in areas existing within the watersheds of the major river systems of China-proper. My work is an attempt to shift the single minded focus by many scholars on agriculture and reveal the multi-faceted connection that exists between the state and the natural world.

Ecological factors notwithstanding, scholars in both China and the West focused on the conquest of China's west have likewise long highlighted the centrality of agricultural policy in the integration of peripheries.²⁵ These scholars point to the Han dynasty emperor Wudi's attempts to centralize control over his newly conquered Western Territories (*Xiyu*) with the creation of the *tunken*, or agricultural garrison system, in which he used soldiers to undertake land reclamation. These reclamation projects accomplished the dual tasks of providing food to maintain a military presence in China's west as well as begin the process of transforming so-called "wasteland" (*huang*) into productive, and for the Chinese state, more taxable and culturally palatable agricultural

impact on agricultural production brought about by Qing policies. Mark Elvin, *The Pattern of the Chinese past* (Stanford, CA: Stanford University press, 1973); Mark Elvin, "Three thousand years of unsustainable growth: China's environment from archaic times to the present" *East Asian history* 6 (November); Li Bozhong, "Changes in climate, land, and human efforts: the production of wet-field rice in Jiangnan during the Ming and Qing dynasties" in Elvin, Liu, eds. *Sediments of time* (Cambridge, MA: Cambridge University press, 1998); Robert Marks, *Tigers, rice, silk, and silt* (New York: Cambridge University press, 1998); Peter Perdue, *Exhausting the earth: state and peasant in Hunan, 1500-1850* (Cambridge, MA: Harvard University Press, 1987)

²⁵ One notable exception is Dee Mack Williams, *Beyond great walls: environment, identity, and development on the Chinese grasslands of Inner Mongolia* (Stanford, CA: Stanford University Press, 2002)

land. Imperial officials, scholars, and bureaucrats alike viewed this transformation as a critical element in state building, providing not only the infrastructural foundation for expansion, but also a cultural transformation of landscapes which facilitated the integration of the region into a broader Sinitic agricultural empire.²⁶ In the end, Han Wudi's experiment failed to stake a permanent claim to China's west and today dust blows thick over the Han-era irrigation canals scratched out of the desert in eastern Xinjiang. Nevertheless, inspired by this model of transforming the frontier with the plow, future campaigns in the Tang, Ming, and the early Qing periods likewise sought to adopt the agricultural garrison strategy in the west.²⁷

Scholars emphasize that the promotion of agriculture remained an essential component of strategies of integration even into the modern period.²⁸ Yet, if there is one commonality for these campaigns to establish a new agricultural foundation in Xinjiang it is that until the 1960s, nearly every large-scale reclamation campaign failed miserably. As Kataoka Kazutada convincingly argues in his work, *Shincho Shinkyo Toji Kenkyu*, the increases in reclaimed agricultural land after the reconquest of Xinjiang in 1878 was only

²⁶ For more information on this cultural process of transformation see, Almaz Khan, "Who are the Mongols? state, ethnicity, and the politics of representation in the PRC" in Melissa Brown, ed. *Negotiating ethnicities in China and Taiwan* (Berkeley, CA: Institute of East Asian studies, 1996); See also Williams, *Beyond great walls*

²⁷ Peter Perdue in his work *China marches west* notes that the ultimate success of the conquest of Xinjiang by the armies of the Qing dynasty in the mid-eighteenth century depended on the ability of a network of agricultural garrisons stretching across northwest China to provide food for the troops on the front. Perdue, *China marches west* 324-357

²⁸ Hua Li *Qingdai Xinjiang nongye kaifashi* (Heilongjiang: Heilongjiang jiaoyu chubanshe, 1998), See also, Peter Lavelle, "Cultivating empire: Zuo Zongtang's agriculture, environment, and reconstruction in the late Qing" in Sherman Cochran and Paul G. Pickowicz, eds, *China on the margins* (Ithaca, New York: Cornell University East Asia series, 2010) 43-64

momentary and by the end of the dynasty in 1911, the amounts of arable land in fact had declined dramatically. The agricultural settlers picked to settle the western frontier from famine stricken and overcrowded counties in western China fled these failed reclamation sites, choosing instead to congregate in the cities of Xinjiang, or else return to the lands “inside the pass.”²⁹ This same story has repeated over and over again throughout the first half of the twentieth century, as nearly every governor of Xinjiang sought to prove his benevolent rule over the province through the reclamation of wasteland and every single effort in turn ran up against the unaccommodating natural environment.

In a 1947 telegram to the Ministry of Agriculture and Forestry, one failed settler sent to Xinjiang from his home county along the Yellow River in 1944 gave the ministry some unsolicited advice, “If you do not undertake and complete irrigation works, there can be no reclamation sites, you can count on that.”³⁰ After more than four decades of spectacular failure, this surely was not news to Chiang Kaishek or any of his predecessors. Yet, it was not until the organization of the Xinjiang Production and Construction Military Corps in the early 1950s (*Xinjiang shengchan jianshe bingtuan*), that the state was able to spearhead a broad based reclamation and development campaign in the province in the years following its “liberation” in 1949. The XPCC, sustained by substantial central government investment, helped reverse the long-history of failure associated with agricultural reclamation in the province.

²⁹ Kataoka Kazutada, *Shincho Shinkyo toji kenkyu* (Tokyo: Yusan kaku, 1991)

³⁰ “Weicheng qing zhengfu yuanhui yuanji shi” (MG 36, 12/10) Economic Affairs Collection: File: 20-26, 33-12 (Institute of Modern History, Academia Sinica, Taipei Taiwan R.O.C.) 1

In the first decade after its organization, the XPCC oversaw the reclamation of nearly a million hectares of land. The Great Leap Forward period in particular was witness to substantial increases in land reclamation in the province, as desperate refugees from China-proper fleeing famine and starvation flocked to Xinjiang seeking refuge. From the early 1950s into the early 1960s, the amount of total arable land in the province tripled to 3.2 million hectares. In order to support the development of the large-scale state farms, CCP officials dispatched cartographers and land surveyors, invested heavily in local infrastructure and aggressively recruited settlers from China-proper. The farms allowed for the garrison of large numbers of troops in the province and also served as a way to pull an administrative and institutional skein of the central government control over the province.

CCP leaders have trumpeted these successes, emphasizing the centrality of agricultural development in the transformation of Xinjiang from a barbaric frontier into a component part of the Chinese nation-state. The long-time CCP leader of Xinjiang Wang Enmao's aphorism, "predecessors make [a place] green, and the descendents are happy and prosperous" is emblazoned in bold letters to Hongshan Park in the center of the capital city of Urumqi. While the agricultural development efforts undertaken by the XPCC have unquestionably played an important element in the transformation of Xinjiang, their transformative power has tended to be overstated by self-congratulating CCP officials and scholars who have accepted the agriculture-centered narrative of state building in China's west. The fact is that even after the massive increases in agricultural production in the late 1950s and early 1960s, the total amount of agricultural land in the province made up less than two percent of Xinjiang total land area. Even more, while the

amount of land worked by XPCC farms increased by more than ten times, from 77,183 hectares in 1953 to 820,265 in 1961, this number was less than one half of one percent of Xinjiang's total land area. Not only that, but the land worked by the XPCC mechanized farms was heavily concentrated in six isolated areas, three of which were located within 150 miles of the capital city of Urumqi.³¹ The rest of the farms were scattered along sensitive border regions such as those outside of the city of Yili and important river systems in the province.

These figures suggest that while agricultural reclamation and development may indeed have played an important role in settlement and food production, the overall emphasis placed on its ability to transform Xinjiang has been overstated. Focusing on agricultural production and development alone reveals gaping, unexplained holes in China's state building process. To fully understand the dynamics of China's state building process in an arid region like Xinjiang, one must look beyond the overly simplified, agriculture-centered model of Chinese state building. Much of Xinjiang's landscape consists of arid, mountainous, or rocky areas not conducive to agricultural development. This land may not have been ideal for the production of food products to support a settler population but by the late nineteenth century it was clear that this landscape hid a wide assortment of valuable minerals. Beginning in the late nineteenth century, confronted with the failure of their reclamation efforts, Qing officials turned

³¹ The six most important sites are Shihezi, Kuitun, Aksu, Korla, Yili, and Wujiaqu. See: Xinjiang Weiwu'er zizhiqu difangzhi bianzuan weiyuanhui, ed. *Xinjiang tongzhi: Shengchan jianshe bingtuanzhi*, 37 juan (Urumqi: Xinjiang renmin chubanshe, 1998) 123-126

toward mineral extraction as a way to not only raise revenues, but also to settle and stake a claim to isolated stretches of their contested borders.³²

The forces transforming this arid periphery have also transformed various other Chinese peripheries as well. Much of what we know as China today is made up of arid land not accommodating to the plow. Large stretches of not only Xinjiang but also Manchuria, Inner Mongolia, North China, Tibet, and isolated regions scattered throughout China-proper simply cannot be opened in large-scale reclamation campaigns for any meaningful length of time. Agricultural reclamation is simply not effective in fully explaining all of the facets of the state building process in these regions lying on the periphery of China's agricultural core. The Chinese state has interacted with the natural world in a complex assortment of ways of which agricultural reclamation is merely one.

This work is an attempt to understand the central connection that exists between the power of the state and the natural world. In China's westernmost province of Xinjiang, resource extraction sits at the epicenter of what some scholars have termed the "frontier process," in which imperial frontiers are transformed into national borders.³³ The attempts to gain access to the lucrative mineral wealth present in these peripheral

³² Judd Kinzley, "Turning prospectors into settlers: gold, immigrant miners and the settlement of the frontier in late Qing Xinjiang" in Sherman Cochran and Paul G. Pickowicz, eds *China on the margins* (Ithaca, New York: Cornell University East Asia series, 2010) 17-41

³³ James Millward, "New perspectives on the Qing frontier" in Gail Hershatter, ed. *Remapping China: fissures in historical terrain* (Stanford, CA: Stanford University Press, 1996)

regions played a central but often overlooked role in this process of transformation. The campaigns to pinpoint, extract, and transport the lucrative minerals of Manchuria, Mongolia, and Xinjiang helped transform these Qing frontiers into Chinese borderlands in the first half of the twentieth century. The efforts of first Qing officials, later Republic leaders, and after 1949 Chinese Communist Party (CCP) cadres to incorporate mineral rich territory into national economic planning was a central component of the state building process along China's peripheries. These campaigns served to stake a Chinese claim to not only the minerals present in these peripheral regions, but to the territories themselves.

Xinjiang province, located in China's far west, a distant 2,000 miles from Beijing exemplifies this process of transformation. Over the course of the nineteenth and twentieth centuries, agents of the state transformed the province from an imperial frontier into a national borderland. The campaigns to gain access to the rich mineral of the province played a central and all too often overlooked role in this transformation. The maps drawn by geological and ore surveying teams, the development of transportation infrastructure, the migration of laborers from China-proper, and the extension of governmental institutions into isolated stretches of the province served to not only facilitate the extraction of minerals but also to more clearly integrate the province into the Chinese nation-state. The large-scale ore extraction enterprises set up in lands not suitable for agricultural reclamation served as the nodes of a China-centered political,

economic, and social system and served as a catalyst for the laying of what James C. Scott refers to as “grid of administrative centralization” in the province.³⁴

Led by a diverse assortment of state and non-state actors on both sides of the international border, from economic planners, geologists and mine technicians to truck drivers and railroad workers, I find that Chinese state building in this border region was a lurching, and in the end, uneven process. The region’s oil, gold, rare earth minerals, and coal, among others have played an important role in driving China’s economic rise in the years after Deng Xiaoping’s “reform and opening” (*gaige kaifang*) of 1978. Not coincidentally, despite periods of occasional unrest within the province, Xinjiang appears to be bound more closely to China today than ever before in its history. Understanding the dynamics of this process helps clarify and contextualize the difficulties faced by Chinese leaders even now as they continue to struggle in their efforts to more fully integrate Xinjiang, Tibet, and other peripheries into the People’s Republic.

Methodology and Organization

Sources and Methodology

The difficulty facing scholars working on often restive peripheral regions of China such as Xinjiang is to find sources that offer a perspective that does not simply reinforce the carefully crafted Chinese nationalistic narratives. This narrative, which argues that since the Han dynasty, Xinjiang “has been an inseparable part of the unitary multi-ethnic Chinese nation” is widely promoted in the media, by certain scholars, and in

³⁴ Scott, *Seeing like a state* 75

government publications.³⁵ Party leaders have attempted to counter the growing number of uprisings and unrest that have wracked the province since the late 1990s with attempts to restrict access to any sources that may undermine this narrative and intimidate scholars who seek to call it into question.³⁶ The result, in some respects, is an atmosphere of paranoid tension, as fears about crossing red lines has held up the publication of source compilations in China and made archivists overly wary about dispensing all but the most banal archival sources. Nevertheless, there are still a number of important and underutilized archives that remain accessible and largely untouched by scholars. By combining these resources with a number of recently published collections of archival sources, there are numerous opportunities for new and innovative scholarship focused on Xinjiang.

At the First Historical Archives in Beijing, PRC, which I visited in three separate trips in 2006, 2007 and 2009, I drew on the *zhupi* and *lufu* memorial collections dealing with mining policy and policies related to the development of transportation infrastructure. I spent nearly a month working in the “information room” of the Central Geological Survey, located in Beijing, PRC during the spring of 2009. The Central Geological Survey has a wide assortment of records and reports addressing the efforts of geologists, mining engineers, and economic planners in Xinjiang and China’s northwest

³⁵ See the CCP’s white paper on Xinjiang, <http://www.china-embassy.org/eng/zt/zfbps/t36561.htm>

³⁶ The publication of the collected volume S. Frederick Starr, ed. *Xinjiang: China’s Muslim borderland* (Armonk, NY: M.E. Sharpe, 2004) led to the banning of thirteen American scholars from China. Their collective ban was due to the publication of the book, the findings of which aside from a handful of scattered phrases, should not have been terribly controversial.

stretching from the 1940s into the post-1949 period. Unlike nearly every other central level archive in China, there are few restrictions on access or photocopying of documents. In Taiwan, the archives of the Institute of Modern History located in the Academia Sinica, in Taipei, Taiwan contain a large number of archival sources dealing with mineral extraction, infrastructural development, and agricultural reclamation policies in the Republican period. The National History (Guoshiguan) Archives located at the Academia Historica, also in Taipei Taiwan, likewise has a substantial amount of material on Xinjiang in the Republican period. The restrictions placed on access to all Xinjiang and Northwest-related sources in the Second Historical Archives in Nanjing, PRC, which is the primary central-level archive focused on the Republican period, made the sources available in Taiwan essential to my project.

In the spring of 2009, I visited the Xinjiang Uighur Autonomous Region Archives located in the provincial capital of Urumqi. Despite heavy tension in the city and the province and suspicion of the intentions of foreigners in Xinjiang after the 2008 riots, I was able to gain unprecedented access to archival sources related to mineral extraction and infrastructural development from the late Qing and Republican periods. Archival sources from the post-1949 period were restricted. The poor system of organization for the archival material collected in the archives made it difficult to effectively search for specific items, yet it also led to the happy accident that archivists were often unsure what exactly each bound volume of archival sources contained, which in turn allowed me to access a number of otherwise potentially sensitive materials. In order to flesh out the impact of the growing connections between China's western periphery and the metropole, I spent one month working in the Shanghai Municipal Archive in the summer of 2009.

This archive contains a substantial number of reports and communications about the linkages connecting industries and institutions in Shanghai with Xinjiang in the years following the completion of the Lanzhou-Urumqi rail line in 1962.

My work has also been profoundly shaped by the publication of a large number of documentary collections, the number of which only continue to grow in volume. The *Kuangwu Dang* collection published in Taiwan in 1965 contains a large number of Qing-era archival sources related to mining and offers an unprecedented window onto national and local level mining policy during the late Qing period. The *Qingdai Xinjiang Xijian Zoudu Huibian* likewise contains a substantial number of Qing dynasty era memorials and letters, many of which are related to mining and resource extraction. In recent years, the Xinjiang Uighur Autonomous Region Archive has been instrumental in publishing a number of extremely important compilations of archival materials focused on Xinjiang.³⁷ Likewise, a two volume set on Republican-era Ministry of Foreign Affairs documents focused on Xinjiang, known simply as the *Xinjiang Juan*, published by Taiwan's Ministry of Foreign Affairs provides a treasure-trove of important archival sources.³⁸ In addition, this work drew heavily on several additional volumes of compiled archival sources published by various central level archives in China and Taiwan which are

³⁷ See: Xinjiang Weiwu'er zizhiqu dang'anguan, ed. *Ma Zhongying zai Xinjiang dang'an shiliao xuanbian* (Urumqi: Xinjiang renmin chubanshe, 1997); Xinjiang Weiwu'er zizhiqu dang'an guan, ed. *Xinjiang yu E-Su shangye maoyi dang'an shiliao* (Urumqi: Xinjiang renmin chubanshe, 1994); Xinjiang Weiwu'er zizhiqu dang'an guan, ed. *Jindai Xinjiang Menggu lishi dang'an* (Urumqi: Xinjiang renmin chubanshe, 2006)

³⁸ Waijiaobu, ed. *Waijiaobu dang'an congshu: jiewulei, Xinjiang Juan (2)* (Taipei, Taiwan: Waijiaobu bianyin, 2001)

focused on the late Republican period.³⁹ The papers and diaries of various important figures in Xinjiang are also now widely available. Governor Yang Zengxin's *Buguozhai Wendu* which has been available for decades has been an essential source for my work, the collected works of the CCP-era governor Wang Enmao, and also the newly published diaries of the former Nationalist-era governor of Xinjiang Wu Zhongxin who served from 1944 to 1946 have likewise been extremely important.⁴⁰

The Russian Empire and later the Soviet Union played a central role in Xinjiang throughout the period covered in this dissertation. To gain the Soviet perspective, I have relied heavily on an as yet unpublished volume of Soviet documents covering the period from 1931 to 1969. Edited by Shen Zhihua, a scholar at East China Normal University's Cold War Research Institute in Shanghai, this work, titled *E'guo Jiemi Dang'an: Xinjiang Wenti* contains a substantial number of extremely valuable and never before used documents pertaining to Soviet policies in Xinjiang.⁴¹ The documents contained in the work are Chinese translations of Soviet sources drawn from original sources collected in the archives of the Soviet Ministry of Foreign Affairs. The records cover a wide variety of topics from ethnic policy, to legal and illegal trade, and economic development

³⁹ Zhongguo Di'er lishi dang'an guan, ed. *Kangzhan shiqi xibei kaifa dang'an shiliao xuanbian* (Beijing: Zhongguo shehui kexue chubanshe, 2009); Xue Xiantian, *Zhong-Su guojia guanxishi ziliao huibian, 1945-1949* (Beijing: Shehui kexue wenxian chubanshe, 1996); Zhongguo Guomindang zhongyang weiyuanhui dangshi weiyuanhui bianyin, ed. *Zhonghua Minguo zhongyao shiliao chubian – dui Ri kangzhan shiqi*, (Taipei: Zhongguo Guomindang dangshi weiyuanhui, 1981)

⁴⁰ Yang Zengxin, *Buguozhai wendu* (Taipei: Wenhai chubanshe, 1965); Wang Enmao *wenji* (Beijing: Zhongyang wenxian chubanshe, 1996); Baoerhan, *Xinjiang 50 nian – Bao'erhan huiyilu* (Beijing: Zhongguo Wenshi Chubanshe, 1994)

⁴¹ Its publication, according to Shen was held up by political concerns following the Anti-Han riots in Xinjiang in 2008

activities in the province and in the region. The accuracy of these reports, especially those which involved negotiations with local or national level political figures in China, can be checked against Chinese archival sources which often retain Soviet proposals and reports in their text. Supplementing Shen's work, I have also drawn heavily upon V.A. Barmin's *Sin 'tszian v sovetsko-kitaiskikh otnosheniakh, 1941–1949*, which is the first and most comprehensive work on Xinjiang in any language to draw heavily upon Soviet archival sources.⁴²

In addition to archival sources, I have also drawn upon a wide assortment of government-sourced data collections, gazetteers, and collected memoirs. In particular, the *Xinjiang Tongzhi* collection, which consists of over 80 volumes specifically focused on various topics has served as the foundation for much of my statistical analysis on the post-1949 period in particular. Where possible, I have sought to cross-check data from this source with other available sources. These works certainly contain some level of bias in their attempt to reveal the successes of Chinese economic development efforts in the province. Nevertheless, I have found the data to be reliable in most cases and the authors relatively frank about economic policy failures in the early years of the People's Republic. My work also draws heavily on the recently published memoirs of various figures instrumental to the state building process in Xinjiang. The three volume work *Xinjiang Shiyong Gongye Shiliao Xuanbian* is a combination of works of scholarship on the oil industry in Xinjiang with a large number of memoirs from important participants

⁴² One notable exception is Shen Zhihua, "Zhong Gu jiemeng yu Sulian dui Xinjiang zhengce de bianhua (1944–1950)"; David Brophy, *Tending to unite? the origins of Uyghur nationalism*, PhD Dissertation (Cambridge, MA: Harvard University, 2011) likewise draws heavily on Soviet archival sources

in oil surveying and extraction campaigns stretching from the Republic period leading up to the present day. I have also drawn upon the memoirs from various prominent geologists who made names for themselves in Xinjiang, including Huang Jiqing and Yang Zhongjian. In addition, the memoirs of the important political figures Zhang Zhizhong and Burhan Shahidi also help provide a window onto government policies in the province in the late Republican and early PRC period. These memoirs, like all memoirs, contain all of the errors and biases of memory and likewise have been shaped by the political context within which they are written. As such, I have sought to verify accounts where possible and take them with a grain of salt where I cannot.

Organization

This dissertation is organized chronologically, beginning in the late nineteenth century and continuing into the 1960s. Yet, the narrative might seem unusual for those most familiar with the more common warlord and regime based periodicization of the province's modern history. Most of the temporal watersheds highlighted by scholars and which have shaped the tried and true proffered historical narratives of Xinjiang are fundamentally political and closely track the vicissitudes of warlord politics and regime change. In this work, in which I seek to establish a linkage between institutional and social change brought about through a combination of political and economic dynamics, I will offer a slightly altered perspective.

Chapter one begins with the covert discovery of a Russian geological report on Xinjiang's gold wealth in 1893. This report which the Qing diplomat Xu Jingcheng forwarded back to the imperial court in Beijing set off a fiery debate between officials

torn between the need to gain access to new sources of mineral revenue in the province and settle largely unoccupied ore fields and the need to reduce the cost of provincial administration. This debate fit into a larger discussion about the role of mineral resources and mining enterprises in the creation of “wealth and power” in the modern age. Various failed attempts to gain access to Xinjiang’s mineral wealth on the cheap led to a gradual disillusionment among many local officials about the need and desire to gain access to these ores. Yet, the perceived linkage between modern nation-states and mineral extraction enterprises continued to shape the ways in which central government figures viewed Xinjiang well after the fall of the Qing dynasty in 1911.

Sun Yatsen produced a series of grand plans to integrate the resource wealth of Xinjiang the nineteen-teens and nineteen-twenties yet he was unable to back these plans with real money. As such, chapter two addresses the ability of the first Republican governor Yang Zengxin to take advantage of Republican desires to gain access to mineral wealth and their inability to directly incorporate it into national development plans. Following the resurgence of the Soviet Union in the early 1920s, Yang was able to effectively walk a fine line, using Xinjiang’s mineral wealth to attract investment and support from not only Republican officials interested in the region’s minerals but also from Soviet and British investors.

The gradual penetration of Soviet transportation infrastructure right up to their border with Xinjiang province beginning in the mid-1920s and the inability of the Republican state to project its power beyond China-proper during the same period effectively eliminated Yang’s ability to play both sides off of one another and forced him to deal more directly with the Soviets. Chapter three addresses the slide of the province

into a Soviet sphere of influence, as first Yang, later his successor Jin Shuren, and finally, Sheng Shicai in 1933 all found that Soviet rails and highways effectively gobbled up the wiggle room that political figures had enjoyed in the province in the 19teens and early 1920s. Chapter four focuses on the early wartime period from 1937 to 1942, and reveals the importance that Xinjiang came to play for Nationalist leaders in its function as the fulcrum in an international transport network exchanging Soviet weapons and equipment for Chinese minerals. Germany's invasion of the Soviet Union in 1941 transformed Xinjiang overnight, as Soviet leaders saw it less as an outlying market for manufactured goods and more as a central producer of the essential industrial minerals needed for the war effort. As such, Soviet officials during this period began intensifying their campaigns of mineral extraction in the province.

The sharp decline in Soviet fortunes in late 1941 and early 1942 following the German invasion and the subsequent decline in aid payments to governor Sheng Shicai prompted a critical shift in Xinjiang's geo-political orientation. In the spring of 1942, Sheng chose to turn his back on the Soviet Union and seek patronage and support for his regime instead from Republican China. Chapter five starts off by addressing the attempts by Chiang Kaishek to build upon the Soviet industrial foundation established in the province in the late 1930s and 1940s and the desire to incorporate the province more directly into Republican China's wartime "great rear area" (*dahoufang*). The chapter ends, however, with the failure of these dreams, as the Soviet desire to gain access to these rich minerals led them to fund and instigate a rebellion in three mineral rich districts along the Xinjiang-Soviet border. The so-called East Turkestan Republic which

emerged from the rebellion offered the Soviet Union unrestricted access to Xinjiang's mineral wealth in exchange for financial and military support.

Understanding that the only way to exert some semblance of sovereignty over these mineral resources present in land that had once unquestionably been a part of the Qing empire as well as the Chinese Republic, Republican leaders realized the need to work cooperatively with their Soviet counterparts. Chapter six addresses the various attempts by first the Republican state and later the People's Republic to establish joint mineral extraction enterprises in the province. While the Republic's Ministry of Foreign Affairs refused to ratify the Nationalist proposals for joint enterprises, the templates carefully crafted in smoky rooms in Urumqi served as the blueprint for an agreement signed with their CCP counterparts in 1950. Throughout the 1950s, using sixty years of surveys and economic planning conducted by Chinese and Soviet geologists, engineers, and economic planners as a foundation, Chinese and Soviet agents worked closely in a mutually beneficial partnership. The poor transportation infrastructure connecting the province to China-proper meant that more often than not, Xinjiang's mineral wealth was not being cycled into industrial plans in the east, but was being used in the Soviet Union. This partnership continued into the 1960s, when the political fall-out from the Sino-Soviet split effectively severed Xinjiang from the Soviet Union once and for all, and party leaders bridged the long standing gulf that separated the province from China-proper with the construction of a rail line.

In the conclusion, I seek to reveal the resonance of this seventy year process, showing how the quest to stake a claim to Xinjiang's mineral wealth fundamentally shaped the patterns of development in the province. Understanding this pattern offers

important clues about the overall state building process and suggestions about the ways in which minerals and natural resources themselves play a central role in the transformation of peripheries. This process of transformation is by no means unique to China's west and the lessons gleaned from the process of state building in Xinjiang reveals an often overlooked component of the state building process equally applicable to other Chinese peripheries and peripheries around the world.

Chapter 1: Ores and the Financing of Empire, 1893 - 1912

The Obstacles to Empire

The region which would come to be known as Xinjiang was located even farther west than the already desolate Jade Gate, which once marked the western endpoint of China's "Central Plains" (*Zhongyuan*) or what one might consider "China-proper." The region is located a long and dusty 2,000 miles from Beijing, a trek which as late as the 1930s still took more than three difficult months to complete one-way. It is home to China's deepest deserts and many of its highest mountains, and only small pockets of the region's land are conducive to agricultural production. For officials tapped to oversee it by the Qing court in Beijing, Xinjiang's difficult geography, topography, and climate existed as often insurmountable obstacles to the effective administration of the region and served as a critical force in shaping the dynasty's frontier policy.

Since 1759, when the armies of the Qing court conquered Xinjiang and incorporated it into their rapidly expanding empire, officials immediately grappled with the thorny problem of how to raise revenues and cut costs in this arid region so far from production and population centers in China-proper. The small amount of taxable arable land, the lack of a wealthy gentry or merchant class to turn to for tax revenue and contributions, and the high cost of commodities and labor conspired against attempts to make the region financially self-sufficient. To make ends meet, officials depended on annual shipments of silver from the Qing court known as interprovincial assistance," a

payment which, over the course of the nineteenth century, grew burdensome for the increasingly beleaguered imperial treasury.¹

Qing officials like Zuo Zongtang and his supporters saw the period following the re-conquest of Xinjiang in 1878 after the decade long Yakub Beg rebellion (1864-1878) as an opportunity to re-set the region's financial footing and break its dependence on financial support from the Qing court. They unveiled a massive land reclamation campaign, which officials hoped would simultaneously establish a new land tax revenue base that mirrored the revenue streams in China-proper and spearhead the regime's frontier pacification policy of "using migrants to fill the borderland."² The new approach was a mixed success at best, as the arid land in many areas proved more difficult to irrigate than originally expected and many of the migrants brought in proved unwilling to brave the difficult elements.³ These setbacks meant that interprovincial assistance

¹ For more information on High Qing interprovincial assistance as well as attempts to find a way around it, see: James Millward, *Beyond the pass: economy, ethnicity and empire in Qing central Asia, 1759-1864* (Palo Alto, CA: Stanford University press, 1998)

² Yuan Dahua, "Commerce," *Xinjiang tuzhi* (hereafter XJTZ) 29 (Taipei: Wenhai chubanshe, 1906, 1923, 1965) 14

³ For a debate on the nature of the late Qing failure of reclamation policies in Xinjiang see: Hua Li, *Qingdai Xinjiang nongye kaifashi* (Heilongjiang: Heilongjiang jiaoyu chubanshe, 1998), see also Kataoka Kazutada. *Shincho Shinkyo toji kenkyu* (Tokyo: Yusan kaku, 1991) Hua and Kataoka disagree on the success or failure of the reclamation campaign in the province. Kataoka points out that according to imperial document sources the amount of reclaimed land fell over the period from 1884 to 1911, Hua argues that this merely reflected attempts by provincial officials to hide potentially taxable sources of revenue from the money-hungry court. While Hua's book is well sourced and argued, the evidence to support this component of her argument seems weak.

payments retained their centrality in the finances of the province, and in 1886, the annual payments amounted to 85 percent of the province's total revenue.⁴

The Qing court pressed officials in the province to continue to find ways to establish Xinjiang's financial self-sufficiency, but it seemed that there would be no silver bullet solution to the chronic budgetary woes. The cost of administering this arid, isolated frontier region, which was only established as an official province in 1884, was simply too high. Facing down an often restive indigenous population in the province as well as an aggressively expansionistic Russian empire to the west, forced officials to maintain sizable garrisons of troops and maintain a strong network of border posts and fortifications. These projects cost a substantial amount, as military salaries, equipment, provisions, and on-going maintenance and repair of fortifications ate up a substantial portion of annual budgets in the province. The distance from markets and population centers in China-proper ensured that costs in general were higher, as labor and the costs of grain, clothing, and tools was significantly more expensive than in other spots in the realm. In 1885, the first Qing governor of Xinjiang Liu Jintang complained that in Xinjiang, "the road is long and transport expenses are high, the costs in general are great."⁵

⁴ Li Lei and Tian Hua, "Qingdai Xinjiang jianshenghou de fushui zhidu yanjiu" In *Xinjiang Jinxiandai Jingji Yanjiu Wenji* (Wulumuqi: Xinjiang daxue chubanshe, 2002) 394

⁵ Liu Jintang, "Nanjiang Xinshe junxian gongfei kenbo shixiang zhe" in *Qingdai Xinjiang xijian zoudu huibian* (hereafter QDXJM) vol. 1 (Urumqi: Xinjiang renmin chubanshe, 1996), document 137, 192.

In the late Qing period, as financial crisis forced cuts in annual interprovincial assistance, these obstacles forced local officials to make difficult financial decisions to ensure the solvency of the newly minted province. Throughout the 1880s, local officials made drastic cutbacks, slashing the number of troops stationed in the province, cutting administrative expenditures, and holding off on the construction of critical border defense installation and official maintenance. Even after massive troop reductions in the early 1880s, Xinjiang continued to pay 3.36 million *taels* annually in military expenditures alone.⁶ The fact that as late as 1887, provincial revenues were only around 300,000 annually, an amount which one scholar points out was below that of one large county in wealthy Zhejiang province, helps illustrate the extreme financial pressure placed on local officials.⁷ Officials in the province became obsessed with cutting costs and raising revenues in this province with finances so tight that Liu Jintang poetically compared the province's need for revenue to a man dying of thirst, "for whom every drop of water is a pearl."⁸

Parched for revenue, officials often forwent necessary investments in education, transportation infrastructure, and border defense. All the while, officials in Beijing were hoping for a *deus ex machina* solution to the problem of financing Qing empire in the

⁶ "Huizou guannei xiexiang jiang 40 wan zhe," First Archive, Lufu Zhouzhe Collection: Cited in: Li Lei and Tian Hua, "Qingdai Xinjiang jianshenghou de fushui zhidu yanjiu," 409, note 28

⁷ "Huiyi Dubandachen zouqing tongchou Xinjiang bingxiang guanzhi tuntian zhe" QDXJM vol. 2, doc. 484, 732. For the analysis of the budget and comparisons, see Li and Tian "Qingdai Xinjiang jianshenghou de fushui zhidu yanjiu," 345

⁸ Liu Jintang, "Qing bo bu kuan mibu Xinjiang suomian *lijin* bing jieji jnxiang zhe" in QDXJM vol. 1, document 101, 112.

west and breaking the grip of silver payments to the region. Into this financial maelstrom, a glimmer of gilded hope arrived on the doorstep of the Qing court in Beijing. In a memorial presented to the Qing court, a Qing diplomat stationed in Russia passionately argued that Xinjiang's gold wealth offered unlimited financial potential and served as just the solution to the region's fiscal problems that officials had been searching for.

Mining and Late Qing China

The memorial, marked "urgent" and rushed to the imperial court along the Qing postal system by mounted courier, was a passionately argued treatise calling for the exploitation of Xinjiang's gold wealth. The diplomat Xu Jingcheng saw the region's rich gold ore as a potential silver bullet capable of simultaneously balancing the provincial treasury and settling the border region. Based on finding drawn from a covertly obtained, translated Russian report, Xu's memorial declared emphatically that "gold ore in the vicinity of Khotan [a city in the southern stretches of Xinjiang province] is flourishing," and called for a large-scale extraction campaign using western methods to realize its financial potential ⁹

Xu had been dispatched as a representative of the Qing court in negotiations between the British and Russian empires over their border as it ran through the Pamir mountains, located just southwest of Xinjiang in 1892. When he was covertly handed a copy of a report from the geologist Karl Ivanovich Bogdanovich, who led a year-long covert survey of Xinjiang's Kunlun Mountains in 1889 to 1890 for the Imperial

⁹ Xu Jingcheng, "Jinchen yangren cetan Xinjiang Hetian yidai jinkuang qingxing zhe" in QDXJM, volume 2, document 548, 856.

Geographical Society, Xu quickly turned into an advocate for the exploitation of southern Xinjiang's apparently rich mineral wealth. The report included detailed maps of the region, laid out a history of the various Russian and British expeditions to the Kunlun mountains stretching back to the period of Peter the Great (1682-1725), and detailed twelve proven gold fields in the area, many of which were already being worked by local off-season Muslim farmers. In his memorial to the Qing court, Xu suggested that the Kunlun Mountain gold fields had the potential to both shore up Xinjiang's borders and at the same time rectify the province's on-going fiscal crunch.

For officials concerned about maintaining Xinjiang's security in the face of imperialist threats, Xu's report paints a tense picture. The report makes clear the intense interest that this region, which had been reaffirmed as Qing territory in a series of border treaties with Russia in the 1880s, had long held for travelers, soldiers, and scholars from not only Russia but also from Britain. In the face of this growing threat to the Qing empire's territorial sovereignty, he suggested that the only possible solution was for local officials to begin setting up mining operations that could act as a claim on the ore-rich territory and serve as scouts and a first line of defense against imperialist aggression.¹⁰

As far as Xinjiang's finances went, Xu noted that Russian scientists at the behest of the Russian foreign office had secretly tested gold from this region and found its quality to be even higher than ore from the famous gold fields at the so-called "old gold mountain" (the gold fields outside of San Francisco) as well as the "new gold mountain" (the rich Victoria gold fields outside of Melbourne, Australia). Reminding the court that

¹⁰ *ibid*

Xinjiang, as a frontier province, had higher military and administrative expenses than other provinces in China, Xu proposed that mining gold in the Kunlun could help generate the revenue needed to finally make Xinjiang self-sufficient. “After several years of official oversight of the ore fields, finances will gradually be abundant,” he optimistically predicted. And in a conclusion that could have been calculated to catch the attention of the court when he added, “This capital can be used as a foundation upon which to eliminate the need for the Central Plains [China-proper] to continue to support the frontier.”¹¹

Xu’s announcement that Xinjiang had rich ore wealth came as no surprise to Qing officials. Indeed, memorials and gazetteers stretching back to the initial conquest in the mid-eighteenth century regularly reported that in dusty ore fields scattered liberally throughout Xinjiang, prospectors regularly uncovered gold nuggets as large as a “pigeon’s egg” with their bare hands. In certain desolate river valleys gold veins were said to be so numerous they were “arrayed like chess pieces or stars in the sky.”¹² But officials in the Qing court appeared energized by the implicit endorsement of Xinjiang’s mineral wealth in the Russian report, bragging in a response to Xu that “the quality of the gold in the area was higher than that found on any of the five continents.” The Ministry of Foreign Affairs (*Zongli Yamen*) confidently suggested that as soon as they applied Western ore extraction methods, the flow of gold ore would without doubt serve as a

¹¹ *ibid*

¹² Su Beihai, *Xiyu lishi dili* (Urumqi: Xinjiang daxue chubanshe 1993) 316. See also: *Xinjiang xiangtuzhi* (Beijing: Quanguo tushuguan wenxian suowei fuzhi zhongxin, 1988 reprint) 744

lucrative source of revenue for the provincial treasury.¹³ In a response to Xu's original memorial from the emperor's Grand Council nearly three weeks after the initial memorial, officials called for the opening of the Kunlun mountain gold fields. The gold fields "are at a critical spot on the frontier, we must take precautions and so should take the initiative" in developing the ore site, argued the edict.¹⁴

The rapidity of Beijing's response to Xu's out-of-the-blue proposal was part of a broader shift in perceptions of mining and the role minerals should play in a modern state by Qing officials. By the second half of the nineteenth century, vocal Qing reformers were convinced that the widely proclaimed "wealth and power" of the West stemmed at least in part from its ability to harness the riches of the earth. These proponents of "self-strengthening" policies for the Qing were troubled by the fact that well into the 1880s mining remained forbidden in many areas and underdeveloped in most. The prominent official Xue Fucheng complained that "mining policy has not yet been formulated and so wealth is simply being discarded. It is like water drying up, but people do not even realize it."¹⁵ For reformers, the consequence of not mining was more serious than simply forgoing available profits. Instead, it was tantamount to allowing the annexation of Chinese resources by aggressive foreign powers. "Chinese minerals are plentiful. They

¹³ *Kuang wu dang* (hereafter KWD), document 2759 (Taipei: Zhongyang yanjiuyuan jindaishi yanjiusuo, 1960) 4847

¹⁴ *Qing shi lu* 330 *juan*, 10

¹⁵ Quoted in: Zhao Fengtian, *Wanqing wushi nian jingji sixiang shi* [English title: Economic thought during the last fifty years of the Ch'ing Period] (M.A. Thesis. Harvard University, 1939) 42

are first among the world's nations. If we are careless they will be taken away, but if we manage them well they can definitely be used for profit," Xue urged.¹⁶

The success of a series of mines including the Kaiping Mines in Hebei province in 1876, the Pingquan copper mine also in Hebei in 1881, and the Fengtian Jinzhou Iron Mines in 1882 prompted a re-examination of various ore fields throughout the realm. And in 1885, the Qing Ministry of Finance called on provincial governors to investigate potentially lucrative ore sites and to use funds raised among local officials, merchants, and gentry to pay for these new operations.¹⁷ For the Qing court, the need to develop the Qing empire's mineral wealth was perhaps even more pressing along its frontiers. Along the empire's long desolate frontier, poor climates and difficult lifestyles made it difficult to attract and retain sufficient numbers of immigrant settlers from China-proper to serve as a claim on contested lands and raise land tax revenues.

At a place called Mohe, a gold rich stretch of far northern Heilongjiang province Qing officials found what they considered to be a model for frontier mining operations. The Qing court became aware in 1885 that large numbers of Russian prospectors were crossing into Qing territory, illegally mining gold from the ore-rich river, and selling their products to Han merchants in the area. Fearing that these prospectors were the first step in a Russian annexation of the region, early memorials called for the establishment of military settlements in the region that mirrored agricultural garrisons in other border areas, where soldiers would set up settlements on the border, and serve as both mining labor as

¹⁶ *ibid* 42

¹⁷ "Yifu Shaan-Gan zongdu zunyi kuangwu qingxing pian" in QDXJMJ vol. 2, document 523, 821

well as border defense. “Unless we set up operations early to set up a long term occupation [of the area] we will be sowing seeds of disaster” wrote the Grand Council in 1888.¹⁸ As a result of the successes at Mohe, in places all along the northern border, from isolated stretches of Manchuria to Khovd and Urga in modern-day Outer Mongolia, to various ore-rich spots in Xinjiang, in the waning years of the 19th century, frontiers were on the vanguard of mineral exploitation.

The on-going successes of Mohe in boosting Heilongjiang’s annual revenues only served to whet the appetites of officials desperately searching for ways to make the Qing empire’s costly frontiers self-sufficient.¹⁹ For Xu Jingcheng and other Qing officials who had long been concerned about Russian intentions in the west and were tired of continually shipping hard won tax revenues out to the western frontier, the rich ore wealth of the Kunlun, appeared to serve as a solution to many of their woes in Xinjiang. Excited by the prospect of having uncovered an ore-site with the potential to help resolve Xinjiang’s myriad financial and security problems, officials in Beijing began imagining the possibilities presented by the ore site. The Ministry of Foreign Affairs called for the hiring of a mining engineer to undertake extensive surveys in the area, urged local officials to establish a joint merchant – official mining enterprise and finally, eagerly predicted that these operations would quickly attract large amounts of merchant investment capital to sustain the operation.²⁰

¹⁸ KWD 2553, 4360

¹⁹ For a record of ores extracted in the first nine months of operations at Mohe, see KWD 2591 4428

Local officials in Xinjiang, however, who were well versed in the region's unique difficulties and who had to face down the growing holes in the provincial budget proved to be a bit more skeptical of Xu's memorial and the palpable excitement from officials in Beijing. Despite recognizing the possibilities presented by the region's mineral wealth, Qing officials in Xinjiang saw two main obstacles to mineral extraction in Xinjiang: one social, in which they had to figure out a way to manage often rowdy immigrant mining communities, and the other financial, as Xinjiang's rugged landscape increased the need for capital investment into enterprises in the region.

Throughout the realm, officials, intellectuals, and the Qing court saw immigrant miners as a dangerous destabilizing challenge to local authorities, different from bandits or rebels only by degree.²¹ In Xinjiang, officials feared that large numbers of poor immigrants from China-proper would destabilize a delicate frontier *status quo*. And there was ample historical evidence to suggest that these fears were not unfounded. In 1855, a large group of immigrant gold miners in the border town of Tarbagatai burned the Russian trade concession to the ground resulting in a major border incident and the payment of sizable reparations. Similarly, officials also found that the presence of prospectors in isolated frontier regions tended to cause problems among local nomadic banner troops charged by the court with guarding the border. The spreading of gambling and the issuing of high interest loans, among other potential problems tended to

²⁰ KWD 2759, 4848

²¹ E-tu Zen Sun, "Mining labor in the Ch'ing Period" *Approaches to Chinese history* Feuerwerker, Murphey, Wright, eds (Berkeley: University of California press, 1967) 45-67: 48. See also: E-tu Zen Sun, "Ch'ing government and the mineral industries before 1800" *The journal of Asian studies* 27, no. 4 (August 1968) 835-845.

accompany the arrival of immigrant prospectors, and these vices were seen to threaten the discipline of these banner troops charged with ensuring the sovereignty of the realm.²²

Facing down empty treasuries, officials were equally concerned about the price tag associated with establishing new mining enterprises. The control of these often rowdy migrants necessitated increased military and border defense expenditures, as Qing officials needed to establish new patrols and garrisons in isolated, formerly unpopulated ore-rich regions opened to prospectors. In addition, the province's ore fields tended to be tucked away in rugged, mountainous areas, the geographical isolation of which only increased the already high price tag on large-scale mineral enterprises. The high costs of labor, commodities, and transport made the bottom line for mining enterprises razor thin. As a late Qing-era gazetteer explained, "If [mining enterprises] do not profit immediately then the investment will be used up and they have no capital with which to keep going."²³ Even the establishment of high priority official copper mines and mints to produce provincial coinage in Xinjiang, a critical task prioritized by Zuo Zongtang and other officials in order to facilitate local commerce was handcuffed by the high labor and transportation costs. In 1887, officials put a hold on mining copper and minting coins, suggesting that they "wait until mining operations begin to flourish and the costs fall."²⁴

²² See Judd Kinzley "Turning prospectors into settlers: gold, immigrant miners and the settlement of the frontier in late Qing Xinjiang" In Paul Pickowicz and Sherman Cochran, eds *China on the margins* (Ithaca, NY: Cornell University East Asia series, 2010)

²³ XJTZ 1156

²⁴ Liu Jintang, "Xinjiang zannan guifu zhiqian zhe" in QDXJM vol. 1, document 309, 435.

Despite skepticism about the mining, the flurry of edicts and memorials emerging from Beijing regarding the opening of mining in the Kunlun necessitated a response from local officials. In 1894 and 1895, the governor of Xinjiang Tao Mo conducted a nearly eighteen month survey of the region based on Xu's translated maps and report. Based on these findings and his own concerns about opening mining in the region, in a memorial sent to the Qing court in 1896, Tao Mo attempted to pour some cold water on the excitement blazing around the Kunlun ore fields in Beijing.²⁵ His views reflected the experiences of generations of provincial officials, and were steeped in what Tao Mo saw as a common sense, practical approach to frontier policy that he felt was missing in the memorials coming from overly optimistic officials in Beijing. He argued forcefully that the socio-ethnic make-up of Xinjiang, the region's high labor, transport and commodity costs, and pressing financial concerns unique to this contested periphery conspired against the success of the court's ambitious mining plan for the region.²⁶ He noted acidly, however, that officials in Beijing were less grounded in their assessments of the region: "In the long night [these officials] still have hope, they are blind but do not forget how to see and are lame but do not forget how to walk."²⁷

In his forceful rejection of Xu's ambitious plan, Tao Mo drew on a long history of mining in the region. He pointed out that the costs of setting up mining enterprises in the region would be prohibitively high and additionally pointed out that immigrant miners

²⁵ Tao Mo, "Fuzou Hetian jinkuang qingxing zhe" in QDXJMJ vol. 2, document 676, 1008

²⁶ *ibid*

²⁷ *ibid*

could be a destabilizing social force in the frontier region that could “stir up” local nomads and provoke unwanted border incidents with the Russian empire.²⁸ “We dare not assemble workers rashly,” Tao Mo declared, pointing out that the presence of immigrant mining communities necessitated the establishment of expensive new border defense posts, the increase of patrols by soldiers in far flung border regions, and the extension of road, garrison, and administrative infrastructure deep into areas long largely uninhabited.²⁹ He pleaded for caution in beginning mining operations in the province: “The costs are excessive and are more than the amount we can take in in revenue; the repeated losses will either lead to [the mine] closing as we will be unable to write off expenses, or else we will have to support it begrudgingly.”³⁰

Understanding all of the difficulties associated with setting up mining enterprises in this isolated frontier region firsthand, Tao Mo rejected the ambitious and overly optimistic mining plans being drawn up in Beijing. “For a thousand years this has been impoverished wasteland and will not easily become transformed into a land of plenty,” Tao Mo explained. He tersely condemned those over-eager officials in Beijing who clearly did not understand the situation in Xinjiang, and rejected the idea of investing in mining, writing “I am not willing to undertake actions that may invite the ridicule of outsiders.”³¹

²⁸ For background on this incident see Kinzley, “Turning prospectors into settlers”

²⁹ Tao Mo, “Fuzou Hetian jinkuang qingxing zhe,” 1008

³⁰ *ibid* 1010-1011

³¹ Tao Mo, “Fuzou Hetian jinkuang qingxing zhe,” 1009

The Transformative Power of Crisis

Rejecting this potentially lucrative new revenue stream, officials in Xinjiang hoped to retain the financial status quo in the province. In 1896, Tao Mo assured the court that he and other officials would continue to “conscientiously identify if there are other expenses to save on, or other sources of revenue to profit from,” but ultimately acknowledged that Xinjiang would by necessity continue to rely almost exclusively on interprovincial assistance payments to make the province’s tenuous fiscal ends meet.³² For these officials, however, the luxury of avoiding highly risky but potentially lucrative investments like mining was about to run up against the transformational force of the late Qing financial crisis.

Interprovincial assistance (*xiexiang*) was a strategy by which the Qing Ministry of Finance (*Hubu*) balanced the distribution of revenue in the empire. While the system, which mandated the redistribution of treasury surpluses from provinces with high revenue to provinces which were running deficits, was in use in other parts of the empire as well, it came to be closely associated with the finances of Xinjiang and the northwest specifically, where high military budgets and arid low productive land conspired to ensure that treasuries were frequently in the red.³³ In 1886, the (GX 11) Qing Ministry of Finance fixed annual interprovincial assistance payments to Xinjiang at 3.6 million *taels*,

³²Tao Mo, “Fuzou kaohe qianliang zhengdun lijn gejie zhe” in QDXJMJ vol. 2, document 673, 1004.

³³ The vast majority of interprovincial assistance came from the treasury surpluses of four coastal provinces still known for their high agricultural production: Fujian, Guangdong, Zhejiang, and Hubei.

the bulk of which provincial officials used to pay soldier and official salaries, to fund construction projects, and to fill the often gaping holes in the provincial budget.³⁴ The province's small tax base ensured that from 1886 to 1898, interprovincial assistance payments consistently made up between 85 and 87 percent of the province's total revenue.³⁵

The standardization of interprovincial assistance payments allowed for a stability that Tao Mo and other officials came to rely on in Xinjiang. But the shipment of silver to the border province depended heavily on high revenues in China-proper, and downturns in production in the east, meant budgetary shortfalls out west. When the 1887 flooding and subsequent famine in the region around the Yellow River affected crop yields and thus land tax revenues in North China, it led to a ten percent drop in interprovincial assistance payments to Xinjiang. The drop had real consequences, and the governor at the time Liu Jintang, complained that because of the cuts to the annual silver shipment, city walls and *yamens* could not be constructed in critical border areas, granaries would be undersupplied, banner troops would not receive new weapons, and that more than 140 recently constructed post stations monitoring traffic along the roads in the province would have to go unmanned. "Day after day there are new debts added and so day and night we are terrified that the amount of money for other programs will be insufficient and will have to be disbanded," Liu worried.³⁶

³⁴ Wei Jianhua, "Qingdai xiexiang zhidu gailun," In *Xinjiang jinxiandai jingji yanjiu wenji* (Wulumuqi: Xinjiang daxue chubanshe, 2002) 231

³⁵ Li and Tian, "Qingdai Xinjiang jianshenghou de fushui zhidu yanjiu", 394

While Liu's concerns would prove to be largely unfounded during his tenure as governor, by the late 1890s and early 1900s his words echoed ominously. From 1899 (GX 25) to 1900 (GX 26), the amount of unpaid interprovincial assistance to Xinjiang exploded from 48,000 *taels* to 520,000 and nearly doubled in the next year to 790,000 *taels*.³⁷ A series of financial storms that simultaneously pummeled provincial treasuries in China-proper prompted the cuts in assistance. Scholars in China have argued that the years following the Sino-Japanese War served as a financial turning point for the Qing empire, as provincial treasuries were called upon by the court to help shoulder the burden of paying a large indemnity to Japan, assist in the payment of a series of foreign loans, help pay for a series of ill advised investments, and at the same time weather various droughts and famines.³⁸ The Boxer Protocol signed in September 1901 following the crushing of a massive anti-foreign rebellion levied a massive 450 million *tael* indemnity on the Qing court, and only worsened a bad financial situation, as provincial treasuries were once again called upon to help shoulder the burden of paying the indemnity.

Like their counterparts in other provinces, officials in Xinjiang were obliged to help contribute to the payment as well, their share being 400,000 *taels* annually, a sum which they took out of the interprovincial assistance payments. On top of the indemnity payments, the court also shouldered them with the burden of paying their share of various

³⁶ Liu Jintang, "Chaming Xinjiang yongkuan wuke shanjian cunzhu baobu zhe" in QDXJM vol. 1, document 262, 376.

³⁷ Wei, "Qingdai xiexiang zhidu gailun," 233

³⁸ For a discussion of late Qing finances by Chinese scholars see: Liao Yijun, "Gengzi peikuan yu Wanqing caizheng de benkui" *Shehui kexue jikan* 3 (1992), 104-108, see also: Zhou Yumin, "Jiawuzhan hou Qingchao Caizheng Yanjiu 1894-1899" *Zhongguo jingjishi yanjiu* 4 (1989) 88-103.

foreign and domestic loans. As of 1902, they were helping repay eight separate loans from various domestic and foreign sources at a total cost of 290,000 *taels* annually which again the court would take out of interprovincial assistance payments.³⁹ In one particularly unusual case, the next year, in a risky attempt to make ends meet, provincial officials took out a two million *tael* loan from the Russo-Asiatic Bank (*Hua'E Daosheng Yinhang*) in which they used mining rights in Xinjiang's ore fields and potential revenues from land reclamation as collateral.⁴⁰ In 1904 (GX 30), in addition to the amount cut to help pay their share of the Boxer indemnity, the Qing court cut the annual interprovincial assistance payments again by an additional 380,000 *taels*. By 1908 (GX 34), Xinjiang officials were only taking in 2.58 million *taels* of interprovincial assistance annually, an amount which left large sections of the provincial budget unaccounted for.⁴¹

The impact of cuts to interprovincial assistance had a ripple effect all the way down to the local level. In addition to having their own budgets scaled back, officials at the county and circuit level throughout Xinjiang were called upon to help reduce administrative and military costs by slashing official salaries and cutting military expenditures. The administrative district of Yili, an important administrative district bordering the Russian empire, was held up as a model for cost cutting in 1897 (GX 23), when official salary cuts throughout the district resulted in a savings of 2,813 *taels* over a

³⁹ *Xinjiang tongzhi di wushiqi juan, caizheng* (Wulumuqi: Xinjiang renmin chubanshe) 34

⁴⁰ *ibid* 35

⁴¹ "Shaan-Gan Zongdu shengxun zou yugu guanneiwei sanshisannian xiexiang zhe" First archive, Lufu zouzhe Collection, Cited in: Wei "Qingdai xiexiang zhidu gailun," 231

year long period.⁴² By the early 1900s, the belt-tightening measures were insufficient and many local officials in border regions like Yili and Tacheng, regularly turned to interest-bearing loans from local merchants to help make ends meet.⁴³ In 1906 and 1907, local Tacheng official Zhalafeng'a wrote a memorial to the Qing court detailing the total income of the county, noting that incomes from interprovincial assistance for the county and merchant loans equaled more than 279,000 *taels* and that three years later, the county was running an annual debt of more than 17,000 *taels* to local merchants.⁴⁴ To help make up budget shortfalls and to pay off loans in local areas throughout Xinjiang, provincial officials in Xinjiang's capital of Dihua served as a lender of last resort for cash strapped counties in the province. In one case, in the district of Khovd (Kebuduo) in 1910, local officials sent a series of telegrams to Xinjiang provincial officials to help alleviate an 80,000 *tael* deficit that continued to exist in the region even after they were able to raise

⁴² Chang Geng, "Zouchen tiankou liezhi gekuan jianping yinliangcun houbo yongshi" (GX 24 3/28) Imperial Rescript Memorial Collection: 04-01-35-0841-064 (First Historical Archive, Beijing, P.R.C.)

⁴³ This was by no means a new phenomenon: to fund the initial conquest of Xinjiang and the early administration of the region Zuo Zongtang borrowed 3.4 million *taels* from merchant sources. See Wei, "Qingdai xiexiang zhidu gailun," 227. In another case that reached the Qing court, local officials in Yili in 1877 were found to have borrowed nearly 500,000 from local Muslim merchants. Later there was some wrongdoing which allowed provincial officials and the court to catch wind of the case, see: "Zouwei zunchi chaming Yili jiangjun Xi-lun-ti jiekuan baojie Hubu weizhun bogei shi," (GX 16 2/18) Lufu Zouzhe Collection: 03-6625-026 (First Historical Archive, Beijing, P.R.C.)

⁴⁴ See Liu Zhongduan "Zouwei gesheng guanshui qian Taerbahatai kunchu yinshu shi" (XT 2) Imperial Rescript Memorial Collection: 04-01-30-0475-047 (First Historical Archives, Beijing, P.R.C.)

50,000 from local merchant sources.⁴⁵ For provincial officials, this role only exacerbated the fiscal tensions in the province and further depleted provincial savings.

Qing officials in Xinjiang were thus getting buffeted from two sides, as the court continued to cut interprovincial assistance payments and county and circuit level expenditures acted as a drag on provincial finances. By the first decade of the twentieth century Xinjiang was running an annual deficit of 570,000 *taels* and provincial officials were desperate to fill the increasingly yawning fiscal gap that was slowly but surely pushing Xinjiang deeper and deeper into the red.⁴⁶ The author of one late Qing report colorfully described the difficult financial choices provincial officials had to make, noting they had to “dig out a piece of flesh [from the body] to patch a boil on the skin.”⁴⁷

The options for raising revenues and cutting costs in this often tense, arid border province seemed limited. Provincial officials had already slashed back the total number of troops in the province to a total of 31,000 by the mid-1890s, a number which helped cut military costs by a total of 110,000 *taels* annually, but provincial officials felt that troop cuts threatened border security as the amounts could barely keep restive local populations and the Russian Czar at bay.⁴⁸ In 1898 in Yili, a cost-saving plan was put in place to slash official salaries, and after successfully generating a relatively meager 2,817

⁴⁵ “Fengzhi xiheng qing jiebo Xinjiang siku yinzhu zhaosuoqing shi” Telegrams Collection: 1-01-12-032-005 (First Historical Archives, Beijing, P.R.C.)

⁴⁶ See: Liu Jinzao, *Qingchao duwenxian tongkao* vol. 1 (Shanghai: Zhejiang Guji Chubanshe, 2000), Guoyong 6, 68 *juan*, 8235.

⁴⁷ *Xinjiang quan sheng caizheng shuoming shu* (Nanjing: Jingji xuihui, 1914) 528

⁴⁸ Tao Mo, “Fuzou kaohe qianliang zhengdun lijn gejie zhe” 1005

taels in savings annually, was adopted province-wide.⁴⁹ In addition to slashing expenditures, officials also sought to raise revenues by increasing taxes. While land tax revenues remained relatively stable throughout the late Qing period in Xinjiang, officials in the province restructured other components of the taxation system to help make ends meet. “Public expenses are still huge and because the treasury is empty we thought it fit to implement miscellaneous taxes on opium, oil, and alcohol,” wrote provincial governor Liankui in 1908 who also noted that the revenues from these new taxes were relatively meager.⁵⁰ Officials also levied additional taxes on meltage fees, transportation, and salt, among others. They also restructured existent taxes on agricultural production, herds, and on contracts to generate more revenue. The revamping of the finances of the province helped reduce the reliance on interprovincial assistance payments, and the annual payments dropped from 85 percent of total revenues in 1898 to 62 percent in 1908.⁵¹

For officials in Xinjiang, however, the relative success of budget cuts and tax increases did not alleviate the need to find new sources of revenue. They had already cut troops back to the bone, and the court continually urged provincial officials to not increase the tax burden too substantially, fearing that increased taxation would cause unrest in the province or drive out new settlers.⁵² As a result, provincial officials in the

⁴⁹ Chang Geng, “Zouchen tiankou liezhi gekuan jianping yinliangcun houbo yongshi”

⁵⁰ Liankui, “Zouchen Xinjiang wuke juanraomin shi,” (GX 34 3/12) Imperial Rescript Memorial Collections: 04-01-35-0585-006 (First Historical Archives, Beijing, P.R.C.)

⁵¹ Li Lei and Tian Hua, “Qingdai Xinjiang jianshenghou de fushui zhidu yanjiu” 390

late 1890s and early 1900s were willing to entertain various new approaches to raising revenue, strategies that they would have rejected outright in the comparative plenty of the 1880s and early 1890s. In a stark turn around from Tao Mo and Liu Jintang's policies restricting mining, the newly appointed governor Rao Yingqi, who was intimately familiar with the province's financial woes, having previously served as the province's Minister of Finance, heartily embraced mining as a revenue raising strategy and actively sought ways to use the province's rich mineral wealth to bolster provincial revenues.

A Tale of Two Mines

In an 1896 memorial to the court Rao Yingqi heralded what he saw as a sea change in the province's revenue raising policy, proclaiming: "At a time like this when funds in the provincial treasury are lacking we need to urgently expand ore production."⁵³ Not just any ores would do, however, as the province's growing financial pressure necessitated big profits and comparatively low official investment in ore extraction. The Qing court pointed the way in 1896 only a few months after Tao Mo stepped down as governor, when the emperor offered a suggestion in an imperial edict: "in setting up mining operations, you should focus on gold and silver mines first." The edict went on, "Compared to the profits from coal mines and other things, the profits [in precious metals] are huge and each general, military governor and governor general should exert oneself

⁵² *Xinjiang quan sheng caizheng shuoming shu*, 18. See also: Lianhui "Zouchen Xinjiang wuke juanraomin shi"

⁵³ KWD 2761, 4849

with real vigor to pursue” these profits.⁵⁴ Rao echoed the court’s findings and in an 1899 memorial dismissed Xinjiang’s substantial caches of copper, iron, and even silver as being not valuable enough, too heavy and expensive to transport, and too geographically isolated, respectively. Instead, Rao argued that there was only one possible solution to Xinjiang’s financial woes: “There is profit to be found only in gold,” he proclaimed.⁵⁵

The problem for Rao and other provincial officials, who the court called upon to emulate the lucrative and highly developed gold mines at Mohe, was that the obstacles to mining development in Xinjiang which Tao Mo had so forcefully laid out continued to loom. Officials may have been willing to overlook the potentially disruptive force of miners operating in sensitive border areas in order to raise revenues, but the issues surrounding transportation infrastructure, the lack of equipment, the inability to raise private capital, and the lack of a surplus in the provincial treasury to invest in the development of mining enterprises continued to stymie local officials.

Rao and others were forced to make difficult, often surprising choices about which mineral sites to invest in and how to raise outside capital. Mesmerized by tales of gold nuggets the size of a pigeon egg or a horse’s hoof that had supposedly been uncovered in the region, the Kunlun mountain gold fields had been a source of obsession for Xu Jingcheng and other high ranking Qing officials in the first half of the 1890s. The story of the development of the region’s mineral resources during this period however,

⁵⁴ KWD 2768, 4859

⁵⁵ See: XJTZ 557

helps illustrate the delicate line that provincial officials were forced to walk as they sought to use Xinjiang's ores to raise revenues.

Understanding the high costs of developing infrastructure, purchasing equipment, and hiring labor, Rao's primary concern was the question of how to best balance capital investment with the extraction of revenue. He raised this critical issue in his first memorial to the court on the Kunlun gold fields: "if officials open the mine then I fear that there will not be enough capital and it will be difficult to sustain operations, but if citizens begin mining and we simply levy taxes according to the number of prospectors [working the ore fields] then I fear that profits will be limited."⁵⁶ Encapsulated within this short, two line statement was a worry that would continue to nag officials in the province not only at the Kunlun mountain gold fields but at isolated, resource-rich spots throughout the province.

Rao stated with the utmost confidence that the gold resources in the Kunlun mountain gold fields "was greater than anywhere in any of the five continents."⁵⁷ He seemed almost wistful when he complained that "If there were not these restrictions set by the land and the local population, we could transport in equipment to crush rock and smelt ore, and we could begin to extract profits."⁵⁸ To help in the process of overcoming the environmental restrictions at least, Rao called upon those Qing officials who had once been so supportive of using Xinjiang's ores to raise revenues, asking them to dispatch a

⁵⁶ KWD 2768 4850

⁵⁷ *ibid* 4851

⁵⁸ *ibid*

professional mining engineer from the Kaiping Mine in Henan province to Xinjiang to help local officials confirm the ore potential in the Kunlun. He noted that an engineer armed with only portable equipment could “help explain the maze of doubts and confusion” that the complex geology of the land presented to officials. The request was rejected the next year, citing the more than 12,000 *taels* it would cost to send an engineer to Xinjiang. In his memorials to the court Rao expresses his desire to emulate the large-scale centrally organized mines such as in Mohe and other places in the realm in the Kunlun. But unable to confirm the accounts laid out by Xu Jingcheng and others with an expert opinion, and fearing the prospect of investing precious provincial revenues in risky ore fields, Rao adopted the more conservative, decentralized development strategy of relying on local miners to extract the region’s ores.

The operations in this region reflected mining enterprises that had been in use in Xinjiang since the early nineteenth century, operations described by Rao as “the people mine and officials buy.”⁵⁹ The extreme isolation of the region and the difficulty of the landscape ensured that prospectors were local farmers hoping to subsidize agricultural production in the spring and winter off-season. Under Rao’s system, officials simply allowed mining to commence and then officials stationed in the region would purchase the raw gold at a set, below market price in silver or copper currency. Early on, officials like Rao expressed optimism about the revenue raised by the mine, proclaiming with

⁵⁹ For more information on this more traditional mining strategy see: Kinzley “Turning prospectors into settlers”

pride that the low-level operations in the region had resulted in more than 1,000 silver *taels* in profit for the provincial treasury.⁶⁰

One high ranking official in Xinjiang noted that while provincial officials may have expressed some pleasure at the revenues they did take in in the Kunlun, they were also frustrated that this amount was so much lower than the amounts of revenue that were being smuggled out by unscrupulous local miners. The problem faced by officials in Xinjiang was monitoring the gold prospectors -- ensuring that they were accounted for and were selling their gold back to local officials at the officially mandated price. Officials acknowledged the difficulty of measuring the number of people working the gold veins in the region, noting that there were a large number of people who worked in secret, and simply hid in the rugged river valleys when officials or military patrols came through.⁶¹ For these local prospectors, many of whom observers said only took in one or two *fen* per day of washed gold, if they were able to avoid the long arm of local officials they could increase their relatively meager daily profits by selling their gold to merchants at higher market prices.⁶² Yang Zuanxu noted in a 1913 report describing late Qing finances in Xinjiang that the real amount of revenue should actually have been more than 5,000 ounces of gold annually, an amount which equaled a substantial 140,000 silver *taels* at late Qing market prices in Xinjiang.⁶³

⁶⁰ KWD 2766, 4855

⁶¹ *ibid*

⁶² KWD 2767, 4856

For Qing officials it was difficult to discourage these furtive prospectors hoping to sell their gold scraps at market rather than official prices. During this period, the value of silver currency was plummeting in relation to gold throughout the realm and the fact that officials sought to keep prices at a low enough level to ensure that revenue from the ores would be flowing into the provincial treasury was an incentive to smuggle out gold. While officials in Xinjiang paid 14.5 silver *taels* per ounce of silver as late as 1887, at the new enterprise set up in the Kunlun in 1901, officials were paying nearly double that -- 25 tael per ounce of gold.⁶⁴ And even this price was not enough, as local merchants were willing to pay amounts closer to the market price in southern Xinjiang of between 32 and 35 *taels* per ounce of gold.⁶⁵ Officials later began paying 28 *taels* per ounce, an amount that Rao suggested helped rectify the issue. But it is difficult to verify his statement, and reports from travelers suggest that gold smuggling continued to be an issue at ore sites all along the Tianshan south road.⁶⁶

The Kunlun mountain gold fields never really lived up to the expectations of Xu Jingcheng and the Qing court, the decentralized nature of operations served to drag down revenues. But in many ways the experiences of provincial officials in the ore-rich region is representative of the vast majority of mining operations in the province during the

⁶³ See: Yang Zuanxu *Xinjiang chuyi*: (Wuchang: Wuchang Tu'an Yinshuagongsi, 1919 (reprint of 1913) 7

⁶⁴ XJTZ 1158

⁶⁵ This figure comes from Japanese traveler Zuicho Tachibana, who investigated a gold mining site on the Tianshan South Road at Qiemo in 1908. Ju Ruichao, *Ju Ruichao xixingji*, Liu Hongliang, tr. (Wulumuqi: Xinjiang renmin chubanshe, 1999) 85

⁶⁶ *ibid*

waning years of the dynasty and indeed for the first few years of the subsequent Republican period. Many, indeed most, of the mining operations in the province were like those in the Kunlun, relatively small-scale, decentralized operations. At these types of enterprises, local officials were only able to reap small amount of revenue annually (and indeed much of this revenue most likely was sent to circuit level treasuries or else stayed in the pockets of local magistrates and other officials), but at the same time did not require the investment of significant amounts of official expenditures.

These small-scale mining sites, tucked away in isolated, mountains corners of the province often had no more than twenty laborers working local veins. According to a contemporary account, the local prospectors at these sites typically turned over ores to local village headmen, who in turn sold them to local officials.⁶⁷ A handful of Qing-era and early Republican sources can help shed some light on the number and distribution of these far-flung small-scale mines. According to an analysis of the late Qing series of local gazetteers known as the *Xiangtu zhi*, as well as the under utilized Qing survey of mining sites *Diaocha Xinjiangfuting Suozhouxian geshu qing Kuangchan Shuoming* and the early Republican-era survey *Xinjiang daji bubian*, during the last years of the Qing and the early years of the Republican period, there were fifteen separate small-scale mines province-wide.⁶⁸ Of these fifteen gold, silver, copper, iron, lead, and oil extraction

⁶⁷ *ibid*

⁶⁸ *Xinjiang xiangtuzhi* (Beijing: Quanguo tushuguan wenxian suowei fuzhi zhongxin, 1988 reprint), this series of local gazetteers was published in the first decade of the twentieth century; *Diaocha Xinjiang fusuo zhouxian geshu qing kuangchan shuoming* in *Guojia Tushuguan cang Qingdai Minguo diaocha baogao congkan*, vol. 26 (Beijing: Beijing yanshan chubanshe, 2007 reprint) 371-401, this source was first published in

operations, the vast majority were centered around the Tianshan Mountain range in central Xinjiang (12) and most were focused on gold extraction (6) followed by iron ore (3). These findings should not be too overly surprising, as gold was the easiest and most profitable raw metal to exchange for coinage.⁶⁹ And the fact that these ore sites were centered around the Tianshan range also seems logical considering the fact that not only was the region ore rich, but also that it was the closest to Qing transportation infrastructure and would have been the easiest place to import machinery, bring in and support laborers, and also to ship finished products out.

For Qing officials in Xinjiang like Rao Yingqi, the promotion of small scale mining operations was a relatively safe financial solution to the problem of how to develop ores in the province. Officials were able to reap some level of revenue off of the province's lucrative mineral resources and as an added bonus, provincial officials often did not report the revenue generated in these ore sites to Beijing and thus would not undermine the annual provision of interprovincial assistance. Yet, the revenues in these small scale mines worked by only a handful of workers typically using traditional methods to both extract ores as well as refine these ores were severely limited. While they may not have overtaxed the provincial balance sheets, they also did not serve as a

1907; Wu Yanxie, "Products" in *Xinjiang daji bubian*, section 8 (Beijing: Zhongyang minzu xueyuan chubanshe, 1983 reprint) 263-395, this work was originally printed in 1913

⁶⁹ This analysis focuses only on metal and precious metal mines. While coal was an important resource in Xinjiang, the fact that most of the coal produced in the province was not distributed outside of local areas make it less applicable to this analysis. Also a "small-scale" mine is defined as having either under 100 workers or else under 5,000 *yuan/taels* annually in profit. It might seem a bit unusual to rely on a Republican-era source, but there was a considerable amount of carryover in mining policy in Xinjiang from the late Qing period to the early Republican.

major source of provincial revenue. Looking to the example of Mohe, where in the first year of operation the site was regularly taking in more than 1,500 ounces of gold monthly, the small amounts of ore scratched out of the ground in the Kunlun gold fields was insignificant.⁷⁰

After scaling back the planned large-scale mining enterprise in the area in 1897, officials searched for a new motherlode, a source of unquenchable ore that would be the answer to all of Xinjiang's revenue woes. Officials believed that to accomplish this they needed to expand operations and bring in western techniques and technologies to generate revenue. The chief question was how to find investors who could help underwrite this potentially costly enterprise. In a mine established by officials alone, Rao Yingqi noted, with the costs of "Setting up a factory, gathering workers, placing equipment, and importing food it is calculated that the expenses will not be able to cover the revenues."⁷¹ The so-called Mohe model, depended on finding outside investment to fund the risky, but potentially high-profit frontier mineral mines. Under the original Mohe regulations issued in 1888, officials in Heilongjiang province sought to depend on investments from officials, gentry and wealthy merchants to raise more than 200,000 in initial start-up costs, each 100 *tael* "share" issued by the officially controlled mining company guaranteed to receive seven percent interest annually on profits generated at

⁷⁰ KWD 2592, 4462

⁷¹ KWD 2773, 4865

Mohe.⁷² For officials in Xinjiang, the idea of raising a similar amount in private investment to develop a profitable ore site in the province was an unattainable pipe dream.

Still recovering from the Yakub Beg rebellion, Xinjiang lacked a firmly established gentry and wealthy merchant class which might have been willing or able to invest in mining opportunities and other enterprises. As the provincial treasurer Wang Shunan noted in a memoir published a few years after his tenure, with only a few exceptions, most of the immigrant Han in the province “are hooligans and demobilized military stragglers, they own no property and most cannot read.”⁷³ Tao Mo echoed Wang’s harsh conclusions, and also noted that the ties to local areas in China-proper typically trumped the reinvestment of wealth generated in Xinjiang back into the province. “Occasionally, [a merchant] will get wealthy and he will immediately return through the Jade gate [to China proper] singing a song,” he complained.⁷⁴ Officials in Mohe were able to supplement the investment of local gentry and merchants with the selling of shares in the enterprise in large cities like Shanghai and Tianjin as well as in overseas Chinese communities in Southeast Asia and North America. For these investors, who may otherwise have proven wary of investing in a potentially risky frontier gold mining enterprise, the fact that the operations in Mohe were promoted and sponsored by Li Hongzhang, the Beiyang general and one of the most powerful officials in the realm, offered some level of security in their investments. In Xinjiang’s ore fields, however,

⁷² KWD 2553, 4363

⁷³ Wang Shunan, “Taolu laoren sui nianlu” In Zhang Bofeng and Gu Ya, ed. *Jindai bihai* (Chengdu: Sichuan renmin chubanshe, 1988) 71

⁷⁴ Tao Mo, “Fuzou Hetian jinkuang qingxing zhe,” 1008

where costs and risks were often higher than in Heilongjiang, and which lacked powerful patronage in China-proper, wealthy investors from outside the province proved largely unwilling to invest.

Faced with an empty treasury which precluded them from paying for mining enterprises by themselves and handcuffed by the inability to raise merchant investment in the province or anywhere else in China-proper, provincial officials in Xinjiang were forced to get creative in their quest for investment. In 1898, the provincial governor Rao Yingqi, Minister of Finance Ding Zhenduo, and Minister of Justice (and future governor of Xinjiang) Pan Xiaosu arrived at a plan of soliciting investment from Russia. After spending nearly half a century suspecting the motivations of the Russian empire in Xinjiang, these three provincial officials now went to the Russian consul in the provincial capital of Dihua to inquire if there were any Russian merchants who might be interested in investing in gold mining enterprises in Xinjiang. The officials did not specify which ore field they were planning on working, and instead relied on the desires of the Russian side to drive the project. After some deliberation and the dispatching of a Russian surveying team, the consulate informed Rao, Ding, and Pan that a gold merchant named A.G. Moskvina was interested in investing in a gold mining enterprise in the Katu Mountains which were located outside of the border town of Tacheng. The gold site was tucked away in northwestern Xinjiang, 400 miles from Dihua, and only a stones throw from Russian territory.⁷⁵ The region had long been known for its gold ore by officials, local off-season prospectors, and Western travelers alike. But the findings of a Russian

⁷⁵ KWD 2773, 4865

mining engineer hired to survey the region that gold veins yielded nearly fifteen ounces of gold per ton and a half of ore convinced Moskvín.⁷⁶

After receiving permission from the Qing Ministry of Foreign Affairs, Rao and the other provincial officials began to negotiate with Moskvín and the Russian consul directly to open the mining operations in the Katu Mountain gold fields located 150 miles southeast of Tacheng. Out of these negotiations came a nineteen point plan for the establishment of the Tacheng Katu Gold Mining Company (*Tacheng Hatu Jinkuang Ju*). The regulations established the fact that provincial officials and Moskvín would each provide 30,000 *taels* of initial investment to set up the mine site, purchase equipment, and hire workers. As full partners each side would divide gold profits evenly, but the question of taxation proved to be a sticky one. According to Qing Ministry of Foreign Affairs regulations on mining, provincial officials were obligated to tax Russian profits in the mine annually at a rate of one percent for every 1,500 ounces (*liang*) of yield, three percent for every 1,500 to 2,500 ounces, and five percent for anything higher than 2,500. While the Russian representatives were willing to pay the annual 300 *taels* fee to rent the land from local Kazak nomads, they objected to the levying of taxes on the Russian share of gold mine profits. “I have come to China from a great distance to establish a jointly operated gold mine. The capital needed for initial expenses is significant, no one can say how much profit the future holds,” declared Moskvín according to a Chinese account.

“Now we have agreed to pay a tax the land, which is already sizable, if you again want to

⁷⁶ V.A. Obruchev, *The minerals of Dzungaria* (Washington, D.C.: U.S. joint publications research service, 1961) 36. To put this in perspective, gold veins at Cripple Creek in Colorado, one of the most significant gold strikes of the late nineteenth century typically yielded an average of nineteen ounces per ton of ore.

deduct a percentage then I fear that I will not be able to invest,” he explained.⁷⁷ Not willing to lose critical Russian investment in this mine with so much promise, officials suggested that they overlook the question of taxation for the time being and wait until the mine turned a profit before discussing the matter with the Ministry of Finance.

The two sides hammered out the details of the agreement in 1899. After dispensing the province’s share of the 30,000 *tael* investment, which officials were able to come up with only after raiding the military budget, in January 1900 Moskvina and the official provincial representative in the enterprise Gui Rong marched into the Katu Mountains. After setting up the machinery, building a factory site and housing, in late February 1900 the large scale rock crushing equipment began grinding the region’s ore-laden quartz. Rao and other provincial officials were optimistically cheerleading the operation and in a memorial that first year, enthusiastically trumpeted the fact that the enterprise “has already begun to see results.” Indeed, from February to September the mine produced nearly forty-four pounds of gold.⁷⁸

The beginning of 1901, however, seemed strikingly less positive. On-going mechanical issues hindered ore production. While the enterprise was still taking in ore, the amounts did not appear to be significant enough to justify the sizable expense of the mining operations. To help make back their initial investment, Rao unveiled a new plan that doubled the size of operations in the region. The new construction at the site cost the joint enterprise an additional 54,450 *taels* each, an amount which provincial officials

⁷⁷ KWD 2773, 4867

⁷⁸ KWD 2775, 4873

again took out of the provincial military budget. Seeking permission from the court to continue operations despite the growing costs of the enterprise, Rao passionately declared that if we leave mining operations “half finished then we will be laughed at by the intelligent people of the world.”⁷⁹

In October 1902, with losses reaching more than 81,000 *taels*, Moskvina asked provincial officials to dissolve the partnership. Rao Yingqi's successor as governor blamed machinery ill-suited to the local topography, a lack of skilled Chinese miners, and major strategic errors by the enterprise's Russian engineers for the failure of the Katu mountain operation. But without an investor willing to help shoulder the heavy burden of continuing mining operations in the region, the reasons did not matter. Provincial officials were forced to shutter the company, sell off the equipment, and figure out a way to weather the fiscal blows dealt to the provincial military budget which had been gutted to pay for the operation. The Qing court and provincial officials' dream of using Xinjiang's mineral wealth to resolve its financial woes appeared to collapse with the failure of the Sino-Russian Katu Tacheng Gold Mining Company in 1902. As the author of the *Xinjiang Illustrated Gazetteer* put it, “After many setbacks, the spirit of those who talk about profiting from mining has been deflated.” He concludes by declaring, “Their minds are burdened so they clamp their mouths closed and knot their tongue and do not dare suggest trying again lightly.”

Integrating the Northwest

⁷⁹ KWD 2776, 4876

Rao's willingness to work closely with agents of the Russian empire was in many respects a historical anomaly. For decades, Russia had not been a potential source of investment, but was rather a source of aggression. The expansion of the Russian empire and the growing number of Russian traders in the province had worried the Qing court since the mid-19th century. One Qing official in Xinjiang pointed out in 1851 that Russia is "not like Korea, the Ryukyus or Vietnamese tribute states," and went on to note that like the British, with whom the Qing court recently fought the Opium War, "this barbarian's energy is always used to secure trade agreements: it is always thinking of wealth and power."⁸⁰ A series of unequal treaties, on-going border incidents, and the growing influx of Russian merchants only served to deepen these fears in the late nineteenth century and early twentieth.

Qing officials in the first decade of the twentieth century actively debated the question of how to establish claims to territory and ensure that neither the Russian nor any other aggressive Western powers would carve up their empire. To address this issue, the court disseminated the so-called "New Policies" -- a vague moniker for a set of political, administrative, economic, and educational policy reforms that were unveiled following the failure of the Boxer uprising, but which trickled out over the course of the last decade of the Qing dynasty. The new policies in Xinjiang were reflected in the creation of "New Armies" with western influenced training and weaponry, the establishment of "new schools" teaching western influenced subjects and offering

⁸⁰ "Sheng Bao zou Zhong E Yi Ta tongshang zhangcheng ying fangzhao Qiaketu zhangcheng banli pian" (Xianfeng 1 8th month, 25th day) In *Qingdai zhong'e guanxi dang'an shiliao xuanbian* (Beijing: Zhonghua shuju, 1979) 23

opportunities to go abroad, administrative reorganization, the establishment of a police force and the creation of a modern postal service.⁸¹ More than simply modernization reforms, however, scholars in recent years have pointed out that taken as a whole, the New Policies represented a conscientious effort at nation-building by the court and was a necessary part of the transition from Qing empire to Chinese nation. This process had a profound impact in frontier areas along the edges of the empire and can be seen as part of a new shift in frontier policy, heralding an attempt by the court to exert more direct central control over border regions like Mongolia, Tibet and indeed Xinjiang. In the last decade of the Qing period the empire's new frontier policy centered around the binding of frontier regions like Xinjiang ever closer to an emerging Chinese nation-state. Officials sought to undertake this difficult task through infrastructural development, central government investment, and the creation of national economic development plans.

The Pamir incident in the early 1890s, in which British and Russian forces grappled over land putatively a part of the Qing empire, first planted the idea in officials' minds of the need to bind the empire's western frontier more closely with China-proper. The incident led to calls to extend the realm's telegraph network to include the northwest. The subsequent construction effort led to the completion of telegraph connections all the way to the farthest Western edge of the empire in 1895. Unlike telegraph lines in other provinces, in which at least part of the costs were covered by merchants who stood to benefit from their construction, in Xinjiang the costs were covered completely by government expenditures. The total price tag for setting up the system ran to 600,000

⁸¹ Xinjiang was the only province which officials felt lacked a strong enough gentry and merchant class as well as sufficient resources to establish a provincial assembly.

taels, nearly 80 percent of which was covered by the Ministry of Foreign Affairs and the Ministry of Finance in Beijing. The remaining twenty percent was covered by Gansu and Xinjiang provinces, which contributed 50,000 *taels* each.⁸² While the laying of telegraph line certainly helped in the broader process of linking Xinjiang more closely to Beijing, Qing officials worried that the lack of solid transportation infrastructure in the region hindered the Qing empire's integration of Xinjiang.

There was no easy road linking Xinjiang with China-proper. The camel caravan route across the steppes of Outer Mongolia and the official cart road across Gansu and North China both took a long, dusty three months at best to complete. As a result, rapid improvements to the Russian transportation system in Asia during the late 1890s and early 1900s appeared to Qing officials to threaten their holdings in Xinjiang, Mongolia, and Manchuria. The Russian Trans-Caspian rail line across Central Asia with an eastern terminus in Tashkent and Andijon located at the eastern end of the Ferghana valley, not

⁸² The line was built to Yili and Kashgar on the borders by 1895, but a separate line connecting Dihua to Qitai wouldn't be completed until 1904. See: Li Hongzhang "Zouwei nishen Xinjiang shengcheng zhi Kashige'er dianxian yi subian baoshi" (GX 18 11/5) Imperial Rescript Collection: 04-01-01-0987-080 (First Historical Archive, Beijing, P.R.C.); Li Hongzhang, "Zouwei chouban zhanshe Yili dianxian qingxing zhe" (GX 19) Imperial Rescript collection: 04-01-01-0993-051 First Historical Archive, Beijing, P.R.C.); Wang Wenshao, "Zouqing hexiao Suzhou zhi Xinjiang shengcheng dianxian shouzhi jingfei yinshu shi" (GX 23 3/18) Imperial Rescript Collection: 04-01-01-1022-061 (First Historical Archive, Beijing, P.R.C.); Wang Wenshao, "Zouwei qing hexiao zhen Kashige'er dianxian gongcheng shouzhi jingfei yinshu shi" (GX 23 3/18) Imperial Rescript Collection: 04-01-01-1022-062 (First Historical Archive, Beijing, P.R.C.); Wang Wenshao, "Zouwei qing hexiao Yili dianxian gongcheng shouzhi jingfei yinshu shi" (GX 23, 3/18), Imperial Rescript Collection: 04-01-01-1022-063 (First Historical Archive, Beijing, P.R.C.); Wang Wenshao, "Zouwei qing hexiao Ta'erbahatai dianxian gongcheng shouzhi jingfei yinshu shi" (GX 23, 3/18) Imperial Rescript Collection: 04-01-01-1022-070 (First Historical Archive, Beijing, P.R.C.). For a more general account, see Wu Fuhuan, "Qingmo Xinjiang dianbao de chuangan" in *Xinjiang jinxiandai jingji yanjiu wenji* (Urumqi: Xinjiang daxue chubanshe, 2002)

far from the Qing border was completed in 1899. The rapid extension of the Trans-Siberian Railroad across Siberia just north of Qing territory in Outer Mongolia and Manchuria during the same period only increased the fears of Qing officials.⁸³ The new rail lines allowed the Russian empire to flood Xinjiang with cheap commodities, corner the markets on shipping and passenger transportation, and mobilize troops to their borders quickly. As the provincial treasurer Wang Shunan agonized, “Xinjiang is besieged by Russian railroads to the north and to the west.”⁸⁴

The solution to this potential threat to the province’s territorial sovereignty, was to extend the empire’s nascent railroad infrastructure into the northwest. In a 1906 memorial (GX 32) to the court, an imperial censor called for the extension of rails to Xinjiang’s western border town of Yili.⁸⁵ The next year, the Ministry of the Post drew up an ambitious plan that envisioned two rail links connecting Xinjiang to China proper: one that began in the town of Guihua (modern day Hohot) in Inner Mongolia and crossed Outer Mongolia along the camel caravan trails and entering Xinjiang from the north and a second line that extended from Xi’an through Gansu and the Jade Gate, entering Xinjiang from the east.⁸⁶ In a 1911 memorial calling for the creation of a railroad in the province, the governor of Xinjiang asked rhetorically about how to integrate the western frontier:

⁸³ Edward Ames, “A century of Russian railroad construction: 1837-1936.” *American Slavic and East European review* 6: 3/4(Dec. 1947) 57-74

⁸⁴ Wang Shunan, “Taolu laoren sui nianlu” 73

⁸⁵ *Qing shi lu*, 564 *juan*

⁸⁶ “Railroads” in *Xijiang luecheng*, section 3; Cited in Cai Jiayi, *Qingdai Xinjiang shehui jingji shigang* (Beijing: Renmin chubanshe, 2006) 374

“in 10,000 li of poor wasteland, where transport is not convenient and where there are no funds and no population, what methods do we have?” He looks to the West for examples, noting that “Foreigners depend on the railroad to swallow territory and open new frontiers.”⁸⁷

Officials in Xinjiang during the Qing period were enthusiastic supporters of any policy that improved transportation infrastructure in the province. Beginning in 1908, the official Yang Zuanxu helped oversee a massive revamping of the province’s internal road system in the first decade of the twentieth century, making nearly 10,000 *li* of small dirt roads throughout Xinjiang navigable by four person broad-gauge carts.⁸⁸ For provincial officials, however, the extension of the railroad into the province seemed to be a more permanent (though more expensive) solution to their on-going transport woes. Provincial governor Tao Mo called for the construction of a railroad line into the northwest as early as 1892.⁸⁹ For Tao Mo and his successors, a rail network was seen as a potential solution to many of the geographical obstacles that had long stood in the way of economic development in the province. According to a series of documents uncovered in the Xinjiang provincial archives, provincial officials undertook extensive surveying for the potential line beginning in 1907, laying out an ambitiously extensive railroad network

⁸⁷ Yuan Dahua “Qingjiekuan xiutong dongxi tielu yi baoxiyu er gu quanju zhe,” in XJTZ section 106 “memorials,” 568.

⁸⁸ Yang Zuanxu *Xinjiang chuyi*, 15

⁸⁹ Chang Geng memorial (XT 2 11/8), collected in: *Zhongguo jindai kaifa xibei wenlunxuan* (Lanzhou: Lanzhou Daxuechubanshe, 1987) 367

where the provincial capital of Dihua stood at the enter of two east-west and north-south trunk roads in the province.⁹⁰

In addition to the added benefits for border defense, the creation of a rail line linking Xinjiang to China-proper could resolve many of the financial and geographical obstacles that long stood in the way of raising revenues through various types of enterprises. In terms of mining in particular, the extension of a rail line would reduce the costs of importing equipment, ease the task of exporting finished ore, and allow officials to support larger numbers of laborers on site. The last provincial governor of the province Yuan Dahua called for a comprehensive East-West rail line stretaching across Xinjiang and even extending across the Russian border. He predicted in 1910 that “if we improve transportation then within ten years we can we can expect [Xinjiang] to become wealthy and populous.”⁹¹

The question was how to pay for this massive construction project. Officials estimated that the cost to build lines in Shaanxi, Gansu, and Xinjiang would be 140 million *taels*.⁹² Qing officials in the newly established Ministry of the Post and the newly

⁹⁰ See: “Zhen-Di dao Chi zhuan beige zunyi fu Xinjiang xunfu Yuan Dahua zouqing xiuzhu dongxi tielu yi zhe zhi zhawen,” (XT 3, 10/20) Qing Collection: Q15-34-3055 (Xinjiang Uighur Autonomous Region Archive, Urumqi, P.R.C.); “Zhen-Di dao chizhuan Shangbu ju zou ge sheng chouzhu tielu jiyiing tongchou quanju yuding luxian yi zhi zha wen Tulufan tongzhi Shanshan xian ling xiang fu dao chi xiangkan di shi yuding lu xian yi an zhi shen wen bing Xinjiang xunfu zhi piwen” (GX 32 7/21), Qing collection: Q15-32-2367 (Xinjiang Uighur Autonomous Region Archive, , Urumqi, P.R.C.) 5 – 8.

⁹¹ Yuan Dahua, “Qing kaihuang bankuang gongyi muyang pian,” 572

⁹² “Xinjaing xunfu Yuan Dahua zou chouxu dongxi tielu yi gu quanju zhe, you qing zecheng bu chen jiekuan xiulu pianan” (No date), Lufu Memorial Collection: 03-7146-043 (First Historical Archives, Beijing, P.R.C.)

reconfigured Ministry of Finance (*Duzhibu*), which were the two ministries overseeing the development of the empire's rail network, suggested that while rail lines in the comparatively wealthy provinces of China's south and east coast should be funded using merchant contributions, in the northwest loans from foreign sources should be levied. A memorial from the Ministry of Finance noted that developing a rail line in the northwest at the same time that the court was seeking to lay the rails in China-proper could bankrupt the entire project. Ministry of the Post officials argued passionately that there few options aside from taking on massive foreign loans, which officials in the northwest would be responsible for helping repay.⁹³ The Governor-general of Shaanxi-Gansu Chang Geng, who perhaps not coincidentally was the former Yili General, in 1910 issued a blistering assessment of the plan to finance the northwestern railroad line, declaring it was an "opinion based on ignorance." He argued passionately, that the northwest should not be saddled with a new round of loans, pointing out the region's had a critical role as a territorial buffer separating the heartland of the realm from the armies of the British and Russian empires. In the end, his protest was fruitless, and the Ministry of the Post pressed ahead with its plans to levy a new foreign loan.⁹⁴

Merchants, Mandates, and a Return to Minerals

For officials in Xinjiang, the prospect of a new round of heavy loans was just another mandate imposed on them from Beijing in the last years of the dynasty. The

⁹³ *ibid*

⁹⁴ Chang Geng memorial (XT 2 11/8), 367-378

New Policies as well as the on-going cuts to interprovincial assistance payments, which by 1910 had been cut to a meager 1.48 million, pushed the provincial treasury to the brink of bankruptcy.⁹⁵ When the Qing Ministry of Finance called on provincial officials to undertake a careful audit of the Xinjiang provincial treasury in 1906, officials found that after paying salaries, reconstruction, and other expensive programs, the only thing in the worked over treasury was assorted silver coins, nearly value-less paper money, flecks of gold dust and scraps of gold bars. Officials requested that this detritus be used to pay for the New Policies.⁹⁶ That same year, faced with the choice between funding troop salaries and education reforms proposed under the New Policies, officials chose to use precious funds for the former and called on the court to levy a merchant loan to foot the bill for the latter. “Xinjiang’s land is a frontier fortress and is extraordinarily thin and weak; annual grain taxes are not even enough to fund normal honest public expenditures,” argued current governor Liankui in a memorial to the court.⁹⁷

Qing officials made up the annual shortfalls through severe belt tightening and tax revenues which nearly doubled from 1908 to 1911, from 798,000 *taels* to 1.4 million. This seemingly momentous shift, however, was not a sign of the success of land reclamation, but instead was a product of a heavier tax burden only made possible by the

⁹⁵ “Shaan-Gan zongdu Chang Geng yuzhu Xuantong sannian guanneiwai xiexiang zhe” (XT 2 6/27) quoted in: Wei “Qingdai xiexiang zhidu gailun,” 234.

⁹⁶ Chang Geng, “Zouwei Xinjiang siku shicun yinyuan shajin tiaojin qing liubei banli xinzheng zhe,” (GX 33 12/18) Imperial Rescript Collection: 04-01-35-0852-004 (First Archives, Beijing, P.R.C.)

⁹⁷ Liankui, “Zouwei Xinjiang choujie xuebu changnian jingfei qingjian cheng renjie shi” (GX 33, 2/2) Imperial Rescript Collection: 04-01-35-1078-011 (First Historical Archives, Beijing, P.R.C.)

invention of a plethora of new taxes and fees.⁹⁸ Ironically, while they helped make ends meet, the taxes and fees also promoted instability in the province. Provincial governor Yuan Dahua suggested in 1910 that the new taxes and fees being demanding of local populations was helping encourage many local Muslims to flee to Russian territory to avoid the ever-heavier financial demands being placed on them.

To offset this troubling phenomenon, Yuan called for the opening of wasteland, the exploitation of minerals, and increased handicraft production, noting that the “profits generated will benefit the people’s livelihood the most.”⁹⁹ And following his advice, officials desperately sought lucrative revenue streams that would allow officials to make ends meet and wean themselves off of the financial prison of the ever-dwindling interprovincial assistance payments. For this, officials turned once again to the natural resource wealth of Xinjiang, one of which, as officials well knew was ores. “If we do not open the wealth of this region, how can we change our situation of being confined [by interprovincial assistance payments]? Without it, all other activities will be wasted effort,” declared Yuan Dahua in 1910. The question, however, was how to raise capital when provincial officials clearly could not count on the Qing court for support. For this, Yuan and other officials sought to build up Xinjiang’s merchant community and, as in other provinces, use them as a source of political support and economic investment for development projects.

⁹⁸ See Li Lei and Tian Hua, “Qingdai Xinjiang jianshenghou de fushui zhidu yanjiu,” 390-393

⁹⁹ XJTZ 557

The Qing court itself helped promote this new approach. The New Policies sought to undertake broad-based economic modernization and develop sources of local investment in increasingly powerful and wealthy merchant communities both among Han Chinese merchants based in the Qing empire, but also among those abroad in overseas Chinese communities worldwide. In 1898, the Ministry of Foreign Affairs issued the “Regulations on Promoting Technology and Giving Encouragement,” which called for the promotion of commercial activity and investment in merchant enterprises. Later, in 1904, it issued regulations on the establishment of chambers of commerce, which similarly sought to help build up merchant communities. To aid in this process, the Qing court established a new Ministry of Commerce in 1903 and sought to establish provincial Commercial Affairs offices (*Shangwuju*) throughout the realm. The Qing court and high ranking officials also began to promote a new model of business management and development which combined official and merchant oversight and investment in enterprises (*guandu - shangban*).

Other provinces had been successful in raising capital from overseas merchant communities, and officials in the Qing court thought that perhaps this could serve as a model for Xinjiang, believing that the establishment of companies using merchant capital pooled from outside the province could help underwrite land reclamation and mining activities. A 1907 imperial edict stored in the Xinjiang provincial archives calls on officials in the province to emulate southeastern provinces like that of Guangdong in seeking out merchant capital from not only local sources, but also from overseas Chinese

merchants in Southeast Asia to develop various natural resources in Xinjiang.¹⁰⁰

Governor Yuan Dahua argued however, that the problem was that the distance from China-proper made it difficult to attract outside investment, and for those that would be willing to invest, they typically wanted to see some profit on their investment much more quickly than enterprises in Xinjiang tended to provide.¹⁰¹

Provincial officials like Yuan, thus turned to their own nascent merchant community in the province. Nevertheless, officials in the province complained that local merchants left a lot to be desired when compared to their counterparts in China-proper. Governor Yuan Dahua noted that “Xinjiang’s merchant community is ignorant and difficult to lead.”¹⁰² They may have been frustrated with merchants, but by the first decade of the twentieth century they had, almost by necessity, formed a close working partnership with them. “The rise and fall of the merchant community is truly linked to border security and administration of the frontier,” wrote provincial governor Liankui in 1910.¹⁰³ And the success of the community was so critical that when a rowdy gang of

¹⁰⁰ “Zhen-Di dao zhuanchi nonggong shangbu fengzhi yizou junjichu pian jiao ludutong Li Guojie zou chen kaifa kuangye ziyuan zhi zhe zouzhe you zouqing gesheng chen shili zhenxing kuangye pian chang feng zhi zhuan zhi ge defang guan yi I tichang zhi zhawen” (GX 33, 12/24) Qing Collection: Q 15 3400-3231 (Xinjiang Uighur Autonomous Region Archives, Urumqi, P.R.C.)

¹⁰¹ Yuan Dahua, “Zouwei Xinsheng tuguang minxi caiwu zhi zhichu kaipi liyuan qingzhun yu biantong banli shi” (XT 3, 6/1) Imperial Rescript Collection: 04-01-22-0068-647 (First Historical archives, Beijing, P.R.C.)

¹⁰² *ibid*

¹⁰³ Liankui, “Zouqing yinhang jiekuan diandui lai Xinjiang yi xu shangjian er weibianju shi,” (XT 2, 7/19) Telegram Collection: 2-04-13-002-0077 (First Historical Archives, Beijing, P.R.C.)

Han immigrant laborers burned more than 100 of the wealthiest merchant shops in Dihua in 1910, and many local merchants were packing up to head back east, Liankui offered them 394,500 *taels* in compensation and an additional loan of 385,398 *taels* to convince them to stay. Unable to afford the massive sum, Liankui had to plead with the Qing court to raise a 1 million *tael* loan, an amount which was approved but only after the court pressed the governor: “We compel Liankui to protect commerce and cautiously address border security.”¹⁰⁴

Severe financial shortages, the difficulties in raising revenues, and the desire to find a way to offset the growing volume of Russian manufactured products streaming into the province prompted officials to form a close working relationship with merchants. Local merchants were key players in helping make economic ends meet as they frequently gave loans to local and provincial officials when the Qing court was delaying and often cancelling interprovincial assistance payments: “We have always depended on the shops and merchants to profit and have enough to help meet the [province’s] financial needs,” Liankui wrote.¹⁰⁵ But they were also central actors in what officials in Xinjiang and elsewhere referred to as a vicious “commerce war” being waged with the imperial

¹⁰⁴ The exact events of that night of August 10, 1910 are not entirely clear. The official explanation blames hooligans wanting to riot and loot the wealthy shops, while other sources suggest that an incident between a military officer and laborer while gambling prompted the outcry. For official version, see an assortment of documents collected in the First Archive, Telegram and Imperial Rescript Collections, Beijing, P.R.C.. Telegrams: 2-04-13-002-0077, 02-04-13-002-0060, 1-01-13-002-0169, 1-01-13-002-0169, Imperial rescript: 04-01-35-0589-036; for the other perspective, see Wang, “Taolu laoren sui nianlu,” 72

¹⁰⁵ *Qing shi lu* 39, 692. (XT 7 2/18) In *Qing shilu: Xinjiang ziliao jilu*. (Wulumuqi: Xinjiang daxue chubanshe, 2003), 520.

powers. Officials relied on merchants to correct the balance of trade in the province by importing more goods from China-proper that could compete with the disturbing growth in the number of Russian goods appearing in Xinjiang's local markets. These goods, shipped in on the Trans-Caspian railroad were frequently cheaper than goods produced in China-proper and shipped across Outer Mongolia by camel caravan. Provincial officials were particularly frustrated with the cheapness of finished ore products like iron bars and manufactured iron products which were substantially cheaper than finished iron smelted in the province or imported from China-proper.¹⁰⁶

To bolster the provincial treasury and balance out the looming threat of a Russian commercial take-over of the province, officials in the province sought to build up the nascent merchant community. "Only if you make merchants rich can you develop commerce," wrote the author of one late Qing gazetteer.¹⁰⁷ To undertake this task, officials in Xinjiang saw the natural resource wealth of the province as a potential avenue for not only generating revenue for the treasury but also as a way to begin the process of building a stronger merchant community that could serve as a source of investment and support in the future. The rich largely untapped natural resource wealth of the province seemed to bode well for the future profits of provincial merchants. Although Xinjiang has fewer "wealthy merchants as does China proper, still the profits to be made off of gold, copper, iron and coal resources, the hide, wool, fur, printed cloth, and felt carpets,

¹⁰⁶ *Diaocha Xinjiang fusuo zhouxian geshuzhe kuangchan shuoming*, 384

¹⁰⁷ "Taxes" in XJTZ, Section 31, 11

and the import of various Western products have not yet been fully reached,” pointed out provincial governor Pan Xiaosu in 1904.¹⁰⁸

The establishment of a Merchant Affairs Office in 1904 was designed to aid in the process of outreach and interaction with local merchants. To underscore the connections, provincial officials unveiled a series of new monopolistic joint merchant-official enterprises in subsequent years which were intended to generate profit off of the exploitation of local natural resources in order to bolster provincial revenues and build up local merchants and firm links with China-proper. An official tea shop, a wholesale fur purchasing company, and a tanning company were set up in an attempt to control the purchase and sale of local products in the province and to firm up trade links with China-proper. In order to encourage their participation in these various officially organized *guandu-shangban* enterprises, Yuan Dahua asked the Qing court to offer rewards of rank and titles to merchant investors from the Qing court “in order to encourage investment and widely attract support.”¹⁰⁹ While most of these enterprises were unable to generate the amounts of revenue that officials were hoping for, they were relatively successful in generating profits for local merchants and helped create an economic foothold that many Han immigrant merchants retained in the province for decades.

The growing wealth of the merchant community presented an opportunity for proponents of mining in the provincial *yamen* who had been continually frustrated by the

¹⁰⁸ Pan Xiaosu, “Zoubao Xinjiang shengcheng kaishe shangwu zongju paiyuan shiban bing qiyong guanfang riqi shi” (GX 31 7/27) Imperial Rescript Collection: 04-01-01-1072-007 (First Historical Archive, Beijing, P.R.C.)

¹⁰⁹ Yuan Dahua, “Memorials” XJTZ, Section 106, 573.

inability to raise private capital. While small scale, privately funded mines had occasionally been carved into Xinjiang's dusty ore-fields in the years after the failure of the Tacheng Katu Gold Mining Company, they were typically unable to sustain operations, failing to uncover ore fast enough to satisfy wary investors. By the last decade of the Qing period, officials and merchants both were wary of the financial risks of frontier mining operations. Without a railroad to hold down the costs of transport, it appeared that there were few opportunities to profit off of ore production. But the prospect of profits from minerals and the emergence of a new partner in the merchant community to help shoulder mining operations prompted provincial officials to once again seek the answer to their revenue woes in ore extraction.

A Gusher in the Northwest

There was black gold in Korkala Wusu prefecture, located on the southwestern edge of the Zungarian basin 711 *li* northwest of the provincial capital of Dihua and 600 *li* southeast of Tacheng. Here, oil was said to be so plentiful in places that local Mongols could dip hide buckets in the black, sticky standing pools to use as fuel for cooking stoves. Local residents undertook small scale oil collection, coming to the area in the summer, when the oil infused mud was not frozen over and extracted it for use locally. These locals also transported small amounts by hand and by donkey cart to be sold in the provincial capital as well as in Tacheng.

The area almost seemed ideal for mining. It was located not too far from the Kuitun River, so water was available and local gazetteers noted that the climate was neither too cold nor too hot and the powerful winds sweeping across the Zungarian basin

were somewhat lessened here in the mountains. Initial interest in the region spawned a small-scale merchant funded oil extraction operation set up by provincial governor Pan Xiaosu and the provincial merchant affairs office in 1904. The small joint official-merchant operation used “local” mining methods (*tufa* as opposed to Western methods) and then shipped the extracted crude by road to the provincial merchant affairs office which oversaw the refining and sale of processed oil.¹¹⁰ In the end, the high transport and labor costs once again cut too deeply into profits and the operations closed shortly thereafter.

A series of illegal Russian surveys of the region by the geologist V.A. Obruchev in 1898, 1905, and again in 1906 and 1909 confirmed the vast fossil fuel wealth at Dushanzi in particular, a mountainous site more than 100 *li* in area. The Russian expeditions to the area raised the interest of provincial officials who saw the ore field as an opportunity to not only raise revenue through the sale of oil but also possibly to offset the heavy imports of Russian kerosene and other petroleum products. A Russian merchant presented provincial officials with a proposal to work the land at Dushanzi and one other oil field nearby, offering to rent the land for forty years. If that condition was unacceptable, the merchant agreed to either pay an annual rent or else pay taxes on extracted oil. Provincial officials did not reject the idea out of hand. Instead, in a memorial to the Qing court they presented the offer as something that should be considered, holding it up as an opportunity to raise the amounts of capital needed to exploit the region’s oil wealth and also as an opportunity to train local engineers in

¹¹⁰ *Diaocha Xinjiang fusuo zhouxian geshuzhe kuangchan shuoming*, 384

Western oil mining methods.¹¹¹ The Qing Ministry of Foreign Affairs, however, rejected the plan and called for the raising of more merchant capital to open the oil field and to draw on this capital to offset the growth of Russian petroleum products flooding markets in Xinjiang and elsewhere in the realm.¹¹²

To carry out the policy, provincial officials undertook careful surveys of the area and sought to confirm the reports of the region's oil wealth. In 1907, provincial Minister of Finance Wang Shunan dispatched a committee of local officials armed with samples of ore taken from the Dushanzi oil fields to Baku in the Russian empire to test the purity of the region's oil wealth. Their tests seemed to confirm initial reports, finding that 100 *jin* of raw Dushanzi oil yielded 60 *jin* of refined oil.¹¹³ Wang Shunan crowed about Xinjiang's oil wealth, proclaiming that it was "even more flourishing and profitable than the Americas!"¹¹⁴ Armed with proof verified by Western experts and technologies and a growing belief that perhaps it was oil, not gold or other resources that would be the key to resolving more than a century and a half of financial problems in Xinjiang, provincial officials founded a new, more ambitious ore extraction project in the Dushanzi oil fields.

The new joint merchant-official enterprise was established in 1909. What made it unusual was not only its reliance on Xinjiang's emergent merchant community for capital,

¹¹¹ KWD 2785, 4891

¹¹² *ibid* 4893, 4894.

¹¹³ Habudula, ed, *Xinjiang shiyou gongye shiliao xuanji* vol. 1, (Urumqi: Zhengxie Xinjiang weiwuer zizhiqu weiyuanhui wenshiziliao he xuexi weiyuanhui chubanshe, 2005) 23

¹¹⁴ Wang, "Taolu laoren sui nianlu," 73

but also its use of Western equipment and even Western engineers who were hired by provincial officials. The newest Western refining equipment was purchased by provincial officials in Russia and was transported overland into Dihua where Russian drilling experts set it up. Replacing local extraction methods was a mechanized drill, also purchased in Russia, which was set up by two Russian mining technicians who were hired full-time to run drilling operations and also to teach Chinese employees how to use the equipment. Overall the mining and refining operations employed 72 people and cost official investors 10,870 *taels* annually.¹¹⁵

The start of drilling at Dushanzi in 1909 seemed auspicious. Test drills down around ten feet (three *zhang*) revealed flammable oil vapors shooting out of the shaft. Reaching down to twenty feet, workers heard a rumble which officials present described as sounding like waves crashing. Not surprisingly, considering this site was located dead center in the largest land mass on earth, the sound they heard was not breakers on a beach. It was in fact a Texas oil well style “gusher” and the sound was followed by an explosion of oil and gas which quickly caught fire and burned brightly.¹¹⁶ The plan for the site laid out by provincial officials and merchants was to extract oil for sale in markets in Xinjiang, as a step toward driving foreign oil out of domestic markets. After the completion of the proposed railroad, they would begin selling Xinjiang’s rich oil in national markets.¹¹⁷ Despite this seemingly promising start, operations were never able to get fully off the

¹¹⁵ *Xinjiang quan sheng caizheng shuoming shu* , 602-603

¹¹⁶ XJTZ 526

¹¹⁷ Wang, “Taolu laoren sui nianlu,” 73.

ground. The records of the operations are not available and it is not clear precisely how much ore it extracted at Dushanzi or even how much profit the site generated for the provincial treasury. According to scholars in China, Dushanzi simply fell victim to the Xinhai revolution, as the uprising in Wuhan against the Qing court and the subsequent chaos in China-proper ensured that even the meager flow of interprovincial assistance to support Xinjiang's treasury dried up completely.¹¹⁸ Sources seem to confirm this as, in 1912, after the fall of the dynasty, and shortly before fleeing the province, governor Yuan Dahua shuttered operations at Dushanzi, writing curtly, "amounts in the treasury are insufficient."¹¹⁹

Every single one of Xinjiang's large-scale mines failed in the late Qing period. A local gazetteer noted in the last years of the Qing period "Despite the wealth hidden in the ground, officials and local people [in Xinjiang] are tired, poor and weak and are impoverished and emaciated as much as any people under heaven"¹²⁰ Attempts to link the region's natural resource wealth with markets in China-proper through the construction of a railroad also collapsed with the fall of the Qing dynasty when discussion about levying foreign loans for rail construction abruptly ended as new national priorities emerged. The region's distance, climate, and geography stymied Qing officials and imperial reformers in their attempts to access the region's mineral wealth and integrate Xinjiang more clearly into the Qing empire and the nascent Chinese nation. The lessons

¹¹⁸ Habudala, *Xinjiang Shiyong Gongye Shiliao Xuanji*

¹¹⁹ Yang Zengxin, "Diancheng ni jigou sheli kuangyou gongsi wen" *Buguo zhai wendu*, Li Yushu, ed. (Taipei: Wenhai chubanshe, 1965)

¹²⁰ XJTZ 1156

learned in late Qing Xinjiang loomed large for future state builders in the region, however, as they realized the ineffectiveness of piece-meal efforts to extract resources and develop infrastructure. Making the borders pay would not be cheap, and only a massive infusion of capital from outside the province would transform this frontier region into a financially self-sufficient province of the Chinese nation-state.

Chapter 2: The Rise and Fall of an Economic Borderland, 1912-1928

The rocky transition from Manchu empire to Chinese nation, had already begun with the enactment of the late Qing New Policies as Qing officials in Beijing sought to bind its lengthy peripheries more clearly to China-proper. Thus, the abdication of the Qing in 1912, in and of itself, did little to fundamentally transform frontiers like Xinjiang. Yet, new ideas about the nation-state imported from Japan and the West, aided in the formation of a new relationship between the new Republican state and Xinjiang province, as Republican leaders in Beijing sought to more closely integrate the region and incorporate its natural resources into new national economic development plans. Republican officials like Sun Yatsen sought to gain access to Xinjiang's rich mineral wealth and use the province's vast unopened "wasteland" as a destination for impoverished agricultural laborers from overcrowded provinces in China-proper.

For officials in the province, the early Republican period was one of severe financial hardship. Despite the call for the greater integration of peripheral areas, they proved unwilling or perhaps unable to invest in the development of these regions. Shortly after the founding of the new Chinese Republic, the new government in Beijing abruptly severed the fiscal lifeline in the form of interprovincial assistance payments that had long bound the province to the empire. With no financial or infrastructural ties to China, Xinjiang floated, its resources sought after by not only leaders in Beijing, but also powerful neighbors like Russia and to a lesser extent Britain. Into this context, stepped

Yang Zengxin, a former Qing local magistrate and provincial official who was asked to step in as the first Republican governor of Xinjiang after the first choice was assassinated.

Scholars of Chinese typically hold up Yang's sixteen year administration of the province as being a period in which Xinjiang is closed off from the world. But Yang was no isolationist, and when we pull back the frame of reference away from China alone, we can see him as the engaged diplomatic artist that he was. Yang sought to engage and hold off various outside suitors seeking access to Xinjiang's mineral wealth. At his high point, during the World War I period, Yang masterfully engaged numerous, often competing proposals from groups in China, Russia, and Britain to exploit Xinjiang's mineral wealth. For much of his tenure, while pledging allegiance to the Republican government, he effectively operated Xinjiang as an unaffiliated economic borderland, operating as an alluring hinterland for both China and Russia simultaneously. The collapse of the Trans-Mongolian trading routes and the severing a connections linking Xinjiang to China-proper began the process of eliminating the province's role as a "middle ground" and nudging it into the Soviet sphere of influence.

Planning a New Chinese Xinjiang

Energized by their vision of a new, powerful Chinese nation freed from the fetters of a backward-looking Manchu imperialism, newly victorious Republican leaders in Beijing had big plans for Xinjiang. Almost before the ink was dry on the Qing court's abdication edict of February 1912, officials in the new government were already sketching out how to correct the frontier policy mistakes of the Qing, and more fully integrate Xinjiang into the newly formed Chinese Republic. Xinjiang's mineral wealth,

long left untapped beneath the province's sandy soil, was salivated over by Republican leaders and drawn up into ambitious new national development plans undertaken with little input from provincial officials, and by leaders who did not understand much about the unique difficulties of administering this border province.

The boundless optimism of Republican officials in the early years after the founding of the Republic rendered them incapable of viewing Xinjiang as the economic anchor around their neck that many had come to see it as during the Qing period. These officials argued that all Xinjiang needed was a new, forward looking policy and lucrative ores and thus revenue would soon begin pouring in. These officially optimistically predicted that the silver which flowed into Xinjiang by the cart load for 150 years during the Qing period would soon be flowing the opposite direction under the expert management of the new Republic. "As long as we promote the development of new policies, then the increases [in revenues] will be limitless," one Beijing advisor gushed.¹ The key, he and others suggested, was simply gaining access to Xinjiang's undeniably rich natural resource wealth.

"Owing to the lack of means of transportation and communication, at present these rich territories [in the northwest] are left undeveloped and millions of laborers in the congested provinces along the coast and in the Yangtze Valley are without work," Sun Yatsen pointed out in a treatise laying out China's new developmental strategy.² In a June 25, 1912 article published in the *Minli Bao*, Sun Yatsen, then working as an

¹ Yang Zuanxu *Xinjiang chuyi* (Wuchang: Wuchang tu'an yinshuagongsi 1919, reprint of 1913)

² Sun Yatsen, *Shiye jihua* (English title: The international development of China), (Taipei: China cultural Service 1953, reprint of 1922) 26.

advisor to new President Yuan Shikai, laid out the framework for a grand 67,000 mile rail network that would connect the nation from border to border and accomplish what the Qing dynasty could not: binding all of the empire's former frontier regions by rail, from Mongolia and Manchuria in the north, to Yunnan, western Sichuan and Tibet in the south.³ According to these plans, Xinjiang itself would be bound to the new Chinese nation through two main trunk lines, thereby resolving with a stroke of the pen the province's age old transportation difficulties. The first line was to stretch across the southwestern provinces of Guizhou, Yunnan, and Tibet, eventually spanning Xinjiang to the town of Kashgar resting on the border with Russian Turkestan in the southern reaches of the province; and a second line crossing Hunan, Shaanxi, Gansu and ending in the Yili River valley in Xinjiang's north.⁴ "If there is a railway connecting these vast territories, the waste labor of congested provinces [in East China] can go and develop these rich soils for the good not only of China but also of the whole commercial world," Sun explained.⁵

The surplus fruits of Xinjiang's supposedly "rich soils" were to be shipped back directly through the pass to China-proper. Shortly after the founding of the Republic in 1912, officials in Beijing called for a detailed accounting of provincial revenues and expenditures. In early 1913, President Yuan Shikai decreed that "National Taxation Offices" be established in every province including Xinjiang, and these offices would be

³ Sidney H. Chang and Leonard H.D. Gordon, *All under heaven: Sun Yatsen and his revolutionary thought* (Stanford, CA: Hoover institution press, 1991) 51

⁴ *Min li bao*, June 25, 1912. Cited in: Zhang Junchao, ed., *Mingguo shiqi Xinjiang dashiji* (Urumqi: Xinjiang meishu sheying chubanshe, 2003) 7

⁵ Sun, *Shiye jihua* 3

responsible for “disbursing excess revenues to the central government in order to help make up deficits.”⁶ Unrecorded reclaimed wasteland, land once protected by local elites and kept off tax rolls, and highly productive lands incorrectly marked as unproductive were all to be diligently surveyed and assessed by representatives of the Beijing government.⁷ In 1914, having completed their survey of Xinjiang’s productive capacity, a representative of the Beijing Ministry of Finance crowed that officials had accurately assessed the province’s agricultural production for the first time in its history.⁸ In addition, they also trumpeted the province’s rich mineral wealth, pointing out that it could be used to both generate revenue for the central treasury and also used to fuel the industrial ambitions of the Republic. “Every type of mineral is in abundance and it is the source for great wealth,” pointed out an advisor to the Beijing government in 1913.⁹

For anyone who worried about how this aggressive campaign of extraction and exploitation might play in Xinjiang’s provincial capital of Dihua, Sun Yatsen confidently asserted: “The Chinese people will welcome the development of our country’s resources provided that it can keep out Mandarin corruption and ensure the mutual benefit of China and of the countries cooperating with us.”¹⁰ Yet the ambitious plans to extract and export

⁶ *Tianfu andu huibian* (Taipei: Wenhai chubanshe 1970) 522.

⁷ Yang Zengxin, *Buguozhai wendai* vol. 5 (Taipei: Wenhai chubanshe, 1965, reprint of 1921) 2956

⁸ Xie Bin, *Xinjiang youji* (Taipei, Wenhai chubanshe, 1974 reprint of 1922) 284

⁹ See: Yang Zuanxu *Xinjiang chuyi* 19

¹⁰ Sun Yatsen, *Shiye jihua*, 3-5. David Strand points out that Sun Yatsen’s seemingly impossible vision had an importance that extended well beyond its practicality. Sun’s plans, he suggests are part of a broader vision for China, even if not a short-term policy goal. David Strand, “Calling the Chinese people to order: Sun Yat-sen’s rhetoric of

the natural resource wealth of this poor arid region were by no means “welcomed” by leaders in Xinjiang. The governor Yang Zengxin, who had not even begun the first year of his sixteen year tenure at the helm of the province before Sun and his colleagues were already staking a claim to its resources, came to believe that the plans streaming out of Beijing did not have Xinjiang’s best interests in mind.¹¹

For Yang, the construction of a new rail network linking China-proper with Xinjiang would only serve to increase the flow of poor, Han migrants into the province, a phenomenon which may indeed have served to alleviate the congestion of coastal and central China, but also would serve as a destabilizing demographic force in this region that he estimated was 97 percent non-Han. Likewise, Yang saw the incorporation of Xinjiang’s natural resources into national economic development plans as a heavy-handed attempt at acquisition that smacked not of Republican values but of a gross overextension of the power of the state. For provincial officials, the plans smacked of a haughty imperial mentality toward its frontier regions that appeared to be a hold over from the last imperial dynasty. The new governor drew no distinction between the activities of the Qing court in Xinjiang and those of the new Republican government, lamenting in 1914 that the province has “become the colony of the inner provinces.”¹²

development” in Kjeld Erik Brodsgarrd and David Strand, eds *Reconstructing twentieth century China: state control, civil society, and national identity* (Oxford: Clarendon press, 1998) 33-68.

¹¹ Yang actively resisted the extraction of Xinjiang’s tax revenues from the province or even the locality, arguing that shipping out the region’s meager land taxes was not worth the cost of transportation. He also passionately called for the retention of tax revenues, considering the elimination of interprovincial assistance. See, Zhang Dajun, *Xinjiang fengbao qishinian*, vol. 4 (Taipei: Wenhai chubanshe, 1980) 1811-1819

¹² Yang, *Buguozhai wendu*, vol. 1, 56

Provincial officials in Xinjiang might have been more willing to tolerate the extraction of the region's natural resource wealth had those plans been backed up with cold hard silver. While the Qing court may have unabashedly ruled Xinjiang as a "colony," at least it did its part to support the administration and management of the province through the annual payments of interprovincial assistance. Yet, the shipments of silver ended abruptly with the founding of the new Republic. The elimination of interprovincial payments in 1912 was not necessarily a reflection of a policy shift from Beijing. Republican officials gave no enlightened rationale for the elimination of payments, except to point to the financial difficulties that the new government was facing.¹³ In fact, the new Republican government offered an almost cruel flicker of hope in 1913, when it agreed, but then rescinded an order to send 600,000 new Chinese *yuan* in inter-provincial assistance to the province.

A mere three months after being appointed governor, at the same time that Republican leaders were drawing up their utopian plans for the integration and exploitation of Xinjiang's natural resource wealth into the new nation, Yang sent a frantic message to the new Ministry of Finance begging for some financial assistance: "now that the interprovincial assistance payments have dried up we are doing our utmost to make ends meet, but things are very difficult to handle; we are in crisis."¹⁴ His desperate pleas, which he would offer repeatedly throughout the first five years of his administration, were met with a stony silence from Beijing. Xinjiang, it seemed, was on its own.

¹³ *ibid*, vol. 5, 2956

¹⁴ *ibid* 2777

Into the Financial Wilderness

After a series of brutal suppressions of the rebellious New Army troops mimicking their revolutionary brothers in Wuchang and elsewhere in China, the abdication of the Qing court on February 12, 1912 prompted the last Qing governor of the province, to step down and flee back to the safer environs of China-proper. His successor, the former magistrate of the southern Xinjiang town of Aksu and current judicial commissioner for the province Yang Zengxin came to power following the assassination of the first choice for governor by members of the secret society the Elder Brother Society (*Gelaohui*). The new President of the Republic of China Yuan Shikai affirmed the selection of Yang as the first Republican governor of Xinjiang in May 1912. But Yang's work was not finished with the cable endorsing his rule. The transition from Manchu Qing empire to Han nation would not be so easy in Xinjiang, a province that shared an often tense border with the covetous Russian empire and which had a population that was 97 percent non-Han. The ascension of Yang Zengxin, an old-guard Confucian if there ever was one, did indeed help change the political trappings of the new regime, but the economic obstacles he faced resembled many of those faced by his Qing predecessors.

In the first two years of his administration Yan faced down five separate crises that threatened the very existence of a unified Xinjiang. He had to confront a massive Uighur rebellion in the eastern town of Hami, a serious threat from Russian partisans in the southern oases, the continued rebellion of former new army troops in the Yili River Valley along the border with Russia in the east, a Mongol invasion, an uprising in Altai in

the far north, and a bloody wave of assassinations of government officials by members of the Elder Brother Society. Crushing these threats to his rule was extremely expensive in this anemic border province which for much of its history seemed to constantly teeter on the edge of complete financial ruin.

A government source estimates that in 1913, the province's revenue was 2.37 million Chinese *yuan*, while expenditures topped more than 8.9 million, a massive shortfall of more than 6.5 million *yuan*.¹⁵ Even with interprovincial assistance, which was a meager 1.48 million in 1910 but comprised more than 60 percent of its annual revenue, Xinjiang's financial ledger sheets would have been stained a deep red (see Chapter 1). But the elimination of the annual silver payments, which Yang referred to as Xinjiang's "lifeblood" (*mingmai*) in communications with Beijing made a bad situation exponentially worse and forced Yang to desperately search for ways to balance the provincial books in this province he described as being made up of lands that are "simply different variations of border wasteland."¹⁶

In order to meet the growing budgetary shortfalls, Yang turned to the questionable financial strategy of printing currency. His late Qing predecessors propped up their staggering economy and offset the sharp decline in interprovincial assistance by printing 1.5 million *taels* of non-specie backed provincial notes in two separate batches during the first decade of the twentieth century. Yang took this strategy and ran with it, flooding the province's markets with currency by the cartload during the first two years of his

¹⁵ *Zhengfu gongbao*, No. 591 (MG 2, 12/25) Quoted in: Li Xincheng, *Yang Zengxin zai Xinjiang* (Taipei: Guoshiguan yinhang 1993) 271

¹⁶ Yang, *Buguozhai wendu*, vol. 5, 2956

administration of the province. He unapologetically estimated that in the first two years of the Republican period, he printed 6.23 million *taels* in unbacked provincial notes.¹⁷

Yang passionately argued that without financial assistance from an outside power in this region where there are limited opportunities to generate revenue, “if you want to destroy Xinjiang you must first eliminate paper money; if you want to protect it you must protect paper money.”¹⁸

In many respects, the printing of money was a logical response to the ending of the interprovincial assistance payments from Beijing. The transfer of silver from the Qing treasury had long served as a critical annual infusion of currency into Xinjiang, a region which because of its distance from China-proper, was not plugged into the Qing empire and later into China’s nationwide currency markets. Aside from the annual payments in silver arriving along the official cart road from Beijing, the only injection of currency into Xinjiang’s markets was from long-haul merchants. These traders oversaw the camel caravan trade linking the province to the treaty ports and production centers of China-proper through a network of trails and dirt roads crossing the grasslands of Outer Mongolia and which took a dusty three months to traverse one way.

The elimination of the annual shipments of silver led to a severe dearth of currency in Xinjiang. The official Xie Bin, who made a fact-finding trip to the province at the behest of the Beijing Ministry of Finance in 1916 and 1917, found that “as far as the eye can see, in Xinjiang’s markets you cannot find silver or copper coins, or even

¹⁷ *ibid* 2839

¹⁸ *ibid* 2874

silver and copper backed monetary notes.”¹⁹ He goes on to note that even if Yang sought to abide by the Ministry of Finance regulations requiring that land taxes be paid in new Chinese silver *yuan*, local producers would have no choice but to disobey. “Merchants do not even know what Chinese *yuan* look like,” Xie points out with incredulity.²⁰ Yang himself later lamented the province’s lack of specie: “Xinjiang has no silver mines and of all of the currency in the province, half of it flows through Han merchants back to China-proper and the other half flows through foreign merchants out of the country.”²¹

As any first year student of economics understands, there are severe economic consequences to the mass printing of currency. Yang’s printing press economy led to a massive devaluation of currency in Xinjiang. Yang himself noted that inside the province, the real value of a provincial note was typically only 70 percent of its stated value.²² Prices on commodities which already were high because of the high cost of transport and labor in the region (see Chapter 1) skyrocketed for those using Xinjiang’s provincial currency, a problem that only was exacerbated by the subsequent hoarding of commodities. As a result of this phenomenon, Yang noted that in many places, the price of wheat increased by four or five times. The instability of provincial currency likewise led those with means in the province to use other more stable forms of currency.

“Xinjiang’s system of money is chaotic to the extreme!” exclaimed Xie Bin. He points to

¹⁹ Xie, *Xinjiang youji* 222

²⁰ *ibid*

²¹ Yang Zengxin, *Buguozhai wendu, sanbian* (Taipei: Wenhai chubanshe, 1954 original print 1934) 432

²² Yang, *Buguozhai wendu*, vol. 5, 2881

the fact that there were no less than seven types of coins actively circulating in Xinjiang and no less than ten types of paper money.²³ The circulation of currency differed drastically from region to region and in places like Kashgar, merchants would not accept the provincial notes printed by Yang in the capital of Dihua, and officials would not accept the notes for payment of provincial taxes. For those that could afford it, the stable Russian *ruble* was the currency of choice.

The instability of Xinjiang's currency also made it virtually worthless outside of the province. For officials in Xinjiang, the weakness of provincial currency made paying the necessary expenses for the governance and maintenance of the province, expenses such as purchasing manufactured goods like weapons or machinery, or the paying of salaries for outside technicians and experts, exceedingly difficult. The problem was that Xinjiang's currency was basically wastepaper unless wired through one of the major Russian banks in the province, in which case it was worth at most only around 40 percent of its stated value.²⁴ In one telling case, in 1924 Yang sought to set up a textile mill in Dihua in order to make use of the province's rich stocks of wool and cotton, but the low value of Xinjiang's currency made the purchase of American made equipment in Tianjin and Beijing exceedingly difficult and provincial officials had to pay nearly 1.1 million in provincial notes for a total purchase of 300,000 Chinese *yuan*. "The value of provincial notes is too low and wiring money to Beijing is just not easy!" Yang

²³ Xie, *Xinjiang youji* 48

²⁴ Yang, *Buguozhai wendu*, vol. 5, 2881; See also, Xie Bin, *Xinjiang youji* 220

exclaimed.²⁵ In order to complete the purchase Yang had to go through a middle-man, who in turn took his own slice of the total.

Faced with a plethora of financial obstacles, Yang Zengxin sought to cut provincial expenditures to free up more precious revenue. Yang was more than willing to reduce expenditures by cutting troops and equipment back to the barest of bones necessary. He bragged that while he had more troops than the second to last Qing governor Liankui (1905-1910) he had cut troops since the last Qing governor Yuan Dahua. As of 1915, he retained four units of foot soldiers, four units of cavalry, six units of artillery and two units of police and engineers for the entire province, thus saving a substantial amount of money for the province in military salaries.²⁶ Throughout the 1920s, Yang gutted the military several times in order to reduce costs. “If one wants to increase troops, they have to increase rations, when you increase rations you have to increase taxes,” noted Yang, describing his reticence at increasing the size of his military. “The world’s chaos is a product of too many troops and poverty around the world is because taxes are too heavy, I hope that everyone can reduce the number of troops and reduce the number of taxes,” Yang opined. His willingness to cut troops in order to reduce costs would continue into the 1920s, and various observers noted with surprise the ill-equipped, rag-tag nature of his defense forces.²⁷

²⁵ Yang, *Buguozhai wendu*, *sanbian* 444

²⁶ Yang, *Buguozhai wendu*, vol. 1, 136

²⁷ *ibid*; See also, Owen Lattimore, *High Tartary* (New York: Kodansha international, 1994 original print, 1931)

In addition to slashing the military, Yang also sought to trim back the informal bureaucracy at the local level and thereby eliminate a major source of corruption. Following a Confucian handbook that would have made even the most die hard imperial official proud, Yang prioritized a crackdown on the collection of “squeeze” and in order to root out the practice, convened a joint gentry-official commission to review tax collection in the province’s counties. He also cut back staff, eliminating the number of clerks and runners by well more than half in each county. Though the nature of the sources forces us to take Yang at his word, the strategy appears to have been successful in freeing up revenues for the provincial coffers. Xie Bin, the official dispatched to Xinjiang by the Ministry of Finance was surprised to find that the elimination of various hangers-on in the county level government in the first two years of the Republic was the second largest source of revenue after agricultural taxes.²⁸ Governor Yang proudly pointed out that he was able to increase revenues by three times without demanding more from local agricultural producers. He argued that in many places, officials had been collecting surcharges on tax payments of 80 and 90 percent and argued with what surely was an exaggeration that, with additional policing of tax collection, the province could reap revenues 19 times higher than those collected in the late Qing period.²⁹ Seeking to ride out the financial storm caused by the elimination of interprovincial assistance, Yang noted that, “Eliminating squeeze from official funds is the number one temporary saving

²⁸ Xie, *Xinjiang youji* 290

²⁹ Yang, *Buguozhai wendu*, vol. 5, 2862

grace.”³⁰ The financial obstacles facing the province as far as Xie Bin could gather was certainly not one of Yang’s unwillingness to slash bureaucratic waste.³¹

The Desperate Pursuit of Revenue

For provincial officials, the related problems of inflation and the declines in interprovincial assistance only heightened the realization from officials of the need to raise revenues inside the province. This realization resulted in a desperate quest by provincial officials to uncover new sources of wealth and revenue that would allow them to establish a comforting new self-sufficiency separate from the warm hum of the province’s overworked printing presses.

In order to bolster his credentials as a Confucian sage, a title which he proudly assigned to himself, Yang first turned to increasing land reclamation in order to resolve the province’s financial woes.³² Understanding the need for a commercial revolution in Xinjiang, Yang argued that, “When one plans to promote commerce, you first must heavily emphasize the agricultural and silk worm production as the foundation.”³³ True to his word and emulating Qing frontier policy and a policy focus that would repeat itself throughout the next hundred years, Yang undertook a massive campaign of land reclamation in the hope that “opening wasteland” would facilitate the flow of land tax revenues into the empty provincial treasury. In 1913, following provincial government

³⁰ *ibid*, 2782

³¹ Xie, *Xinjiang youji*, 280

³² Yang, *Buguozhai wendu*, vol. 1, 1-20

³³ *ibid* 55-56

investment in irrigation canals throughout the province, the amount of reclaimed land exploded throughout the province, most particularly in the historically nomadic areas in the northern stretches of the province around the Zungar basin. To facilitate the process, in 1915 Yang, following an order from Beijing, convened a provincial Hydrology Committee (Shuili Weiyuanhui) charged with the goal of expanding Xinjiang's irrigation network.³⁴ One scholar estimates that Yang's reclamation policies probably increased the amount of arable land by more than 1 million *mu* (approximately 160,000 acres).³⁵

There were, however, some obstacles to the success of the reclamation strategy. The Qing and later the Nationalist and CCP regimes all faced the chronic problem of attracting and more importantly, retaining stable, tax paying ethnically Han agricultural settlers into the region. Yet Yang actively resisted the influx of this population, choosing instead to focus on the resettlement of Muslims from the over-populated southern oases in the newly reclaimed steppe lands in the north. Understanding that Han settlers from China-proper would disturb Xinjiang's delicate demographic balance, he pushed back against calls from national officials like Sun Yatsen and others to open China's western borderland to migrants and rejected the idea that these migrants were the key to Xinjiang's financial future. In his communications with the central government, he used an argument that was sure to resonate with treasury officials desperately counting their pennies. He pointed out that the travel costs of shipping out people from coastal provinces ran about 100 gold per person, thus the cost of sending out 5,000 migrants would run approximately 500,000 gold. "Every province is wracked by equal financial

³⁴ Yang, *Buguozhai wendu*, vol. 2, 865

³⁵ Li, *Yang Zengxin zai Xinjiang* 249

difficulties, and they cannot raise this huge amount,” he explained. He went on to note that this plan would place an unfair burden on Xinjiang itself, as each new migrant required nearly 150 gold in start up costs alone, which would require officials in the province to come up with 750,000 gold for those said 5,000 migrants. “Where can we come up with this amount in Xinjiang which is located in an impoverished border area?” he asked.³⁶

Similarly, Yang also felt the watchful gaze of National Taxation Office officials who were seeking to skim off a percentage of all of the province’s taxable revenue. As a result, he had an incentive to resist official reporting and consistently pushed back against central government attempts to increase revenue production. As one former Qing official, working as an advisor to Yuan Shikai noted about Xinjiang, “The number of people furtively working land, and not reporting and paying taxes on it is extremely large.”³⁷ Indeed, Governor Yang himself encouraged the underreporting of reclaimed wasteland by giving local officials a free-hand in assessing and reporting on newly opened lands.³⁸ In this way, local officials could continue to collect the revenues needed to resolved the chronic local government shortfalls without reporting it to the National Taxation Branch Office in Dihua. In this way, less revenue would be flowing out of the province and into the national treasury.

Yang also had a chronic fear of increasing taxes on local agricultural producers. Understanding the need to ensure that local producers, particularly Muslims in the often

³⁶ Yang, *Buguozhai wendu, sanbian* 416

³⁷ Yang, *Xinjiang chuyi* 93

³⁸ Yang, *Buguozhai wendu*, vol. 5, 4

restive southern oases, supported his administration, Yang sought to keep land taxes low. In a passionately argued report to Beijing he compares China's control of Xinjiang to Japan's administration of its northernmost island of Hokkaido, which had comparatively low agricultural production and like Xinjiang was consolidated and incorporated into the Japanese empire fairly late (in 1886). He noted that this poor island paid substantially less per capita in taxes than the main Japanese islands, while people in Xinjiang paid more than their counterparts in China-proper. The issue, he said is increasing tensions between officials and the people in the province, and while today the "people are willing to grumble, but not willing to speak" that could change in a violent way in the not too distant future unless something changes in Xinjiang's finances.³⁹ He noted that the problem was especially acute in high density Muslim populations in southern Xinjiang, where the fertile oasis lands produced more than the arid steppe lands of northern Xinjiang. "The turbaned people [Turkic Muslims] alone are bearing too heavy of a burden," he said. "Since the founding of the Republic, the government's revenues have been built on the foundation of agricultural production in southern Xinjiang," Yang pointed out, hinting that the tax policies were priming the pump for violent rebellion and separatism in these predominately non-Han areas.

Fearing the increased burden on local non-Han agricultural producers, officials hoped that the Han immigrant merchant community could help shoulder more of the financial weight. Yang increased the transport and commodity taxes that Chinese merchants were paying from 2.5 percent to 5 percent of the value of goods being

³⁹ *ibid* 2914

imported or exported.⁴⁰ Yet, despite the fact that new regulations necessitated the paying of these taxes in national treasury silver (*kupingyin*) these changes did not yield much of an increase in revenues being taken in in currency. Yang explained that while Xinjiang had wealthy merchants, even they had little or no wealth invested in precious metals or currency backed notes. He estimated that the value of the increased taxes would generate only 1,245 ounces of silver for the provincial treasury annually.⁴¹

Officials also sought to cobble together a workable system of revenue creation by supporting local production and the distribution and sale of Xinjiang's valuable "local products." Taxes on the production of various local export products like cotton, grapes, furs, and livestock helped generate additional, albeit relatively meager, revenue for the provincial treasury. Yang, like his Qing counterparts, also experimented with various merchant-official and joint stock textile enterprises to seek revenue. These enterprises, which included a series of local fur and hide enterprises and textile mills, enjoyed marginal successes at best. The operations nearly all floundered, stymied by the expense of purchasing equipment and supplies, the difficulty of retaining workers, the problem of transporting out finished products, and the inability to compete with Russian cheaply made manufactured goods.

One might be tempted to entertain the idea that perhaps minerals would serve as the answer to Yang's financial problems in the early 19teens. Yet, Yang and other local officials had learned the hard lessons from their Qing counterparts. Since the collapse of

⁴⁰ Yang Zengxin, *Buguozhai wendu, xubian*, vol. 2 (Beijing, Shanghuan chubanshe 1926) 296

⁴¹ Yang, *Buguozhai wendu*, vol. 5, 2989

the joint-stock oil drilling operation in Dushanzi in 1911, officials in Xinjiang chose not to focus on mining as a way of raising revenues. Despite knowing that “Every type of mineral is in abundance and it is the source for great wealth,” as one former provincial official working as an advisor to the Beijing government pointed out in 1913, they were perhaps scarred by the experience of Qing dynasty era officials’ spectacular (and expensive) failures (see Chapter 1).⁴² Aside from some discussion about ways to kick start Xinjiang’s production of copper in order to produce desperately needed coinage, officials in Xinjiang seemed to not see its mineral wealth as a way to resolve the province’s financial desperation in the lean years immediately following the 1911 revolution.⁴³

Mining and War

Despite crushing financial problems, local and provincial Republican officials turned a blind eye toward the revenue raising potential of the province’s rich mineral wealth in the years immediately following the 1911 revolution. That does not mean that they, or Republican officials chose to overlook minerals completely. Since the founding of “New China” in 1912, officials in Beijing had been concerned about the role of foreigners in extracting the minerals of the new Republic. Mining regulations issued by the central government required that any foreigner wishing to set up mining operations in China register with the government and operate in conjunction with Chinese partners who

⁴² See: Yang, *Xinjiang chuyi* 19

⁴³ See, Yang, *Buguozhai wendu*, vol. 5, 2457; Yang, *Buguozhai wendu*, vol. 5, 2460; Yang, *Buguozhai wendu*, vol. 5, 2561

were to hold a controlling interest in the joint enterprise. These concerns were very real for officials in Xinjiang, where most of the known mineral rich areas of the province were located only a short distance from the Russian border. Indeed, when it came to defending the province's ores from the clutching hands of the imperial powers, officials in Xinjiang and Beijing were solidly in agreement. "The production of minerals is an inherent right of the nation, foreigners are not permitted to meddle in it," wrote provincial governor Yang Zengxin in a 1914 communiqué echoing the Republic's mining regulations.⁴⁴

There was a fear among officials in Xinjiang that the Russians and other imperial powers would seek to take advantage of the post-1911 unrest in the province and annex mineral rich lands in the province. It was certainly no secret that they harbored a deep interest in Xinjiang's minerals, considering the various geological expeditions to the area in the last decade of the twentieth century, the requests to rent mineral rich lands, and the attempts to participate in mining operations (see chapter one). In 1913, when anti-Yang rebels in the border town of Yili received a 4 million *ruble* loan from Russian merchants at five percent interest and used the region's rich mineral wealth as collateral, Yang exploded. In a communication with Beijing he darkly predicted, "Russians covet Yili's minerals and when the economy is bad they will seize the rights to the ore."⁴⁵ In another incident the next year, a local official was troubled to stumble across an Englishman

⁴⁴ *ibid* 2448; see also "Tulufan xian wei bu de sui yi kaikuang shi rushao yu" (MG 10, 11), Republican Collection, Document: M 16-4-2437 (Xinjiang Uighur Autonomous Region archives, Urumqi, P.R.C.)

⁴⁵ *ibid* 2817

illegally mining gold outside the ore-rich southern oasis town of Qiemo.⁴⁶ Foreigners it seemed were already pushing their way into Xinjiang's rich ore fields.

The incidents, combined with a long-standing paranoia about imperial desires to steal Xinjiang's mineral wealth, prompted Yang to turn to mining as a way to occupy and settle land that was not conducive to large scale agricultural reclamation and settlement. Mining, Yang said "was not merely for increasing national revenues but was also beneficial in stopping the foreigners who were lying in wait."⁴⁷ He went on to note in this 1919 communication with Beijing that mining was "an essential factor in colonization," as it allowed for the settlement of contested border lands not suitable for agriculture with mining laborers.⁴⁸ The fact that this defensive border policy also had the potential to increase the production of revenue was only a bonus.⁴⁹

In one case in 1916, in the far northern mineral rich region of Altai, an area surrounded on three sides by Mongolia and Russia, a Russian consular officer approached the Altai commanding officer with a request to open a gold mining operation in the region. The long-standing problem of illegal mining in the area, in which furtive Chinese, Russian and Mongol prospectors worked the region's rich gold veins without

⁴⁶ *ibid* 2448

⁴⁷ *ibid*, vol. 2, 792. This strategy was begun in the late Qing period, as officials saw mining in the context of land occupation. See Judd Kinzley, "Turning prospectors into settlers: gold, immigrant miners and the settlement of the frontier in late Qing Xinjiang" in *China on the margins*, Paul Pickowicz and Sherman Cochran, eds. (Ithaca, NY: Cornell University East Asia Series 2010)

⁴⁸ Yang, *Buguozhai wendu*, vol. 2, 792

⁴⁹ Xie Bin held up the potential for gold production to raise major revenues, suggesting that in a major buy back of Xinjiang's bad currency, officials could levy 1 million *taels* from gold profits alone. *Xinjiang youji* 225

paying taxes could be resolved by an official enterprise, the Russian representative suggested. Together they came upon a plan to establish a joint Sino-Russian mining operation in the region that abided strictly by the Republic's mining regulations and gave a more than 50 percent interest in the enterprise to Chinese shareholders. Officials were wary of their partners, however, and the head of the Ministry of Foreign Affairs in Beijing, urged local officials "if [the Russians] make any requests outside of the specifics of the agreement, they must be rejected in the sternest of terms."⁵⁰ The fate of the project is lost in the archival record, but considering the massive influx of 200,000 Kazak refugees who fled to Altai from Russian Turkestan and the subsequent unrest in the region in 1916-1917, in all likelihood the project never got off the ground.

Nevertheless, the desire by Chinese officials to occupy and settle highly contested ore-rich steppe land continued. A few years later in 1919, Governor Yang proposed the establishment of a gold mining enterprise worked by miners recruited from the provincial capital of Dihua who officials would send to Altai, give them equipment and food, and be overseen by military officials. The next year, a military commander in the region proposed supplementing these laborers with military personnel. Laborers here would be required to pay a nominal tax, and to sell their gold back to local officials at a fixed annual rate of 80 provincial *tael* notes for one ounce of gold. These decentralized "people mine, officials buy" operations, like their Qing counterparts, were unable to raise sizable amounts of revenue. In Altai in 1916, officials only took in about 72 ounces of gold dust (worth a little more than 5,760 *taels* provincial notes at the official buying rate

⁵⁰ "A'ertai Zhong-E kuangwu jiashe an," (Mingguo 3, 11th month), Ministry of Foreign Affairs Collection: Three documents: 03-03-012-02-022; 03-03-012-02-018; 03-03-012-02-017 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.)

of 80 provincial *taels* to one ounce).⁵¹ In 1919, officials only took in a fairly insubstantial 4,584 Chinese *yuan* (to be distinguished from revenues being collected in provincial *tael* notes) in mining taxes annually province-wide.⁵² As Yang self-righteously pointed out, however, “Officials in Xinjiang are concerned with defending territory, not making money,”⁵³

The profits being taken in at decentralized borderland gold mining operations in northern Xinjiang were relatively insignificant and had very little impact on the province’s overall budget crunch. For much of the first decade of the Republican period, the amounts of gold and other metals mined in these operations stayed relatively flat around 3,000 ounces annually.⁵⁴ The outbreak of the First World War only fuelled the already skyrocketing price of oil in the second decade of the twentieth century. These changes in the market raised the prospect for provincial officials that perhaps the occupation and settlement of ore-rich border regions with miners could go hand in hand with the generation of revenue.

As World War I spread across Europe, the demand for critical wartime materials, and oil in particular, skyrocketed. A new generation of ships were now being run on oil rather than coal, and the ramped up production of new petroleum swilling war machines

⁵¹ *Xinjiang tongzhi*, volume 57, caizheng (Urumqi: Xinjiang Renmin Chubanshe, 1999) 113

⁵²“Min’ guo baniandu Xinjiang sheng guojia suiru suichu yujifenbiao shuomingshu” in *Qingmo Min’ guo caizheng shiliao jikan bubian* (Beijing: Guojia Tushuguan Chubanshe, 2008) 623

⁵³ Yang, *Buguozhai wendu*, sanbian 434

⁵⁴ Zhang, *Xinjiang fengbao qishinian* 2245-2249

like tanks, trucks, and airplanes pushed the nascent global oil market to its limit, pushing oil prices through the roof and offering lucrative opportunities for those in possession of supply. The rapidly increasing price of oil fuelled a new interest in discovering and tapping into new oil fields, the isolation of which had made exploitation unprofitable in periods of low oil prices. The immediate pre-World War I and wartime periods were witness to the discovery of several new oil production sites worldwide, including those in Mexico, British controlled Persia, and Texas came on-line during the second decade of the 20th century.⁵⁵

Even in Xinjiang's isolated market, the rapidly increasing price of oil was clearly visible. Yang noted in a 1919 report to Beijing that the cost of lamp oil had increased by more than six times over the course of the war, and oil that had once sold for just over 1.5 copper cash per *catty* of oil (slightly over one pound) was now being sold for well more than 6 cash. For Yang, the skyrocketing price of oil suggested that even in Xinjiang, a region so painfully isolated that officials in the Qing period gave up on the prospect of ever using minerals to profit, the global explosion in oil prices might offer a ray of financial hope. But Yang also knew that the increasing price in oil would also attract a great deal of unwanted attention from outside the province. For Governor Yang, the prospect of a mineral based financial solution to Xinjiang's financial woes prompted him to increase his vigilance in protecting the province's mineral wealth.

⁵⁵ Economic geography has begun to address the question of the economic factors driving resource exploitation and the links between mineral prices and exploitation. See Cyrus Bina, "Some controversies in the development of rent theory: The nature of oil rent." *Capital and class* 39 (Winter 1989) 82-112; Dean Hanink, "Resources" in Eric Sheppard, Trevor Barnes, eds. *A companion to economic geography* (Oxford: Blackwell, 2000); Robert Norgaard, "Economic indicators of resources scarcity: a critical essay. *Journal of environmental economics and management* 19 (1990) 19-25

In November of 1915, Xinjiang provincial officials received word from the Russian consular officer in the provincial capital of Dihua that a Russian surveying team flush with merchant financing was preparing to undertake surveys in Suilai and Wusu counties, in the heart of northern Xinjiang's richest oil fields the following spring. "Russian merchants and officials constantly covet Xinjiang's mineral wealth," Yang worried. "I fear that this time the Russians coming to survey Xinjiang's oil, are harboring bad intentions," he confided in a report to the Ministry of Foreign Affairs in Beijing.⁵⁶ The consular officer asked for a six month passport for expedition members during his meeting with provincial officials. While Yang pointed out in his communication with Beijing that he was inclined to deny the request, he also knew that the team could easily gain illegal passports from the masses of largely unmonitored Russian merchants who were able to slip into Xinjiang every month to trade. As a result, he asked the Ministry to offer three month passports to the expedition members and confidentially informed the Ministry that, "we will order local officials to join [Russian expedition] under the pretense of offering them official protection and use [these officials] to monitor and observe their activities."⁵⁷

In addition to his cloak and dagger tactics, Yang also called on the Ministry of Foreign Affairs and the Ministry of Commerce and Agriculture to approve plans to start up an oil drilling operation of their own. He pointed out that only through the exploitation of the province's mineral wealth will they be able to hold off the Russian

⁵⁶ "Wu-su liang xian difang youkuang" (MG 4, 11/22) Ministry of Foreign Affairs Collection: 08-24-61-001-01(Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.) 7

⁵⁷ *ibid*

advance in the region. Yang proposed the establishment of a joint stock mine, the initial 30,000 *tael* investment of which officials would draw almost exclusively from the merchant community.⁵⁸ In a pointed appeal to the protection of China's sovereignty and a deft use of nationalistic rhetoric, Yang argues, "words alone cannot block [Russian intentions] and ensure that Xinjing's oil wealth is used to support the nation."⁵⁹ Yet, recognizing that it would be cheaper to ship in refining and mining equipment along the Russian rail network and that the oil fields lay closer to international markets in Russia than those along the China coast, Yang delicately suggested that this new enterprise accept Russian merchant capital as well as Chinese. Without a hint of irony, he called for Russian investment to be used to guard against Russian encroachment. Swayed by Yang's passionate argument and mindful that a successful mining operation, even a jointly operated one, would begin the process of finally generating the revenues needed to make the province a wealthy contributor to the national coffers, provincial officials approved Yang's plan in December 1915.

The seemingly sure prospect of receiving funds from Russia to open Xinjiang's oil wells, however, crashed and burned with the unrest wracking the Russian empire and the eventual collapse of the Czarist government in 1917. Despite the barriers to exploiting the province's mineral wealth, which Yang had pointed out in his reports to Beijing only the previous year, Yang decided to go it alone. The still increasing price of oil, further buoyed by the unrest in Russia and the subsequent decline in Russian oil

⁵⁸ 25,000 would be raised from merchants. The provincial government would only put up 5,000

⁵⁹ "Wu-su liang xian difang youkuang" (Minguo 4, 11/23) Ministry of Foreign Affairs Collection: 08-24-61-001-01 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.) 13

imports helped reinforce his decision. But equally importantly, the stabilization and increasing value of Xinjiang's provincial currency, following a series of governmental buy-backs and also the fluctuations in price of the Russian *ruble*, prompted a new confidence in Xinjiang's economic future.⁶⁰ To undertake the critical task of improving Xinjiang's technological capacity and rectify the long-standing lack of technicians skilled in modern oil refining in the province, Yang dispatched the head of Xinjiang's mining office to Shaanxi province to study Sino-American oil operations there. Noting the previous "local methods" of refinement in Xinjiang which historically led to smoky, low quality oil, he optimistically predicted in 1916 that armed with new techniques and technologies, "Xinjiang's financial future will absolutely be profitable."⁶¹

The operations Yang set up in the region consisted of only a handful of fairly shallow wells. These wells in Xinjiang were recovering a meager 14,500 catties (19,000 pounds) of oil annually at a profit of only around 7,000 or 8,000 provincial *taels*. Nevertheless, in a communiqué with the Ministry of Agriculture and Commerce, Yang suggested that the potential for oil drilling in Xinjiang exceeded that of the more profitable sites in Shaanxi. He bragged in a 1919 report that operations in the Dushanzi area were recovering oil at a depth of only around 35 feet (three *zhang*). More established sites in Shaanxi, Yang noted had to drill to depths of more than 2,000 feet before hitting oil.⁶² The plan called for the establishment of a joint-stock company which, like the

⁶⁰ Li Xincheng, *Yang Zengxin zai Xinjiang* 249-252

⁶¹ Yang, *Buguozhai wendu*, vol. 1, 179

⁶² "Wu-su liang xian difang youkuang" 24

planned agreement with Russia, would require at the start only 5,000 *taels* from provincial officials and an additional 25,000 in merchant investment. In a report to Beijing, Yang urged potential investors to adopt a longer-range outlook. He called on them to ride out short term losses for the prospect of not only future profits but also, in an attempt to perhaps profit off of nationalistic sentiments of the late teens, pointed out the bigger benefit of the retention of China's national sovereignty. "The oil here can support the protection of mineral sovereignty: [these resources] must never be seized by anyone else," he proclaimed.⁶³

Yang's eloquent proclamations about sovereignty and the potential profits afforded by Xinjiang's oil wealth got the attention of Republican officials. For them, jointly operated oil enterprises in Shaanxi and Rehe provinces were turning sizable profits with the help of foreign (in this case British and American) expertise and technology. They hoped that a similar enterprise in Xinjiang too would be able to turn a profit. When presented with a proposal by the British government, they jumped at the opportunity. The agreed upon proposal called for the creation of a joint operation administered by the government controlled China Mining Company (*Zhongguo Kuangye Gongsi*) and an unnamed British oil company. The only problem was that Chinese officials neglected to tell their counterparts in Xinjiang about the agreement. In fact, the Xinjiang provincial government representative in Beijing only learned about the signing

⁶³ Yang, *Buguozhai Wendu*, vol. 1 226

of the eleven point agreement after reading about it in a short December 3, 1920 article in the Beijing-based *Shuntian Times*.⁶⁴

Provincial officials did not need to scan the fine print to realize that the newly agreed upon mining enterprise, named the Sino-British Joint Xinjiang Oil Company would offer no financial benefit to the Xinjiang provincial government. The profits were to be split in three ways: 50 percent to the Beijing government, and the rest to be divided between the China Mining Company and their British partners. Yang and leaders in Xinjiang were furious and immediately issued a flurry of telegrams and reports to the Ministry of Foreign Affairs in which they demanded that the agreement be cancelled or if not cancelled at least renegotiated with provincial representatives playing a central role in the negotiations. They passionately proclaimed their opposition to the agreement in a series of lengthy telegrams beginning in December 1920 and ending in late February of the next year. The messages were cabled to Beijing in the name of the Xinjiang provincial assembly and a long list of Mongol and Hui princes whose names were appended to the communiqués, but in all probability they were penned by Governor Yang himself.⁶⁵

Leaders in Xinjiang complained that their counterparts in Beijing simply did not understand the on-going tensions in this border province. Upon receiving the news of the agreement, the Beijing based representative of the Xinjiang government fired off a report

⁶⁴ “Zhong-Ying heban Xinjiang shiyoukang gongsi shi” (Minguo 9, 12/18) Ministry of Foreign Affairs Collection: 03-03-043-01-016 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.)

⁶⁵ Chinese scholarship suggests that the “Xinjiang Provincial Assembly” was in fact simply a mouthpiece for Yang. See: Gao Jian and Zhao Jiangming, “Minguo qianqi Xinjiang shengyi hui yanjiu” *Xiyu yanjiu* 3 (2005)

to the government complaining that negotiators knew nothing about Xinjiang. They were, he said, brazenly setting up a disruptive mining operation in nomadic lands populated by “tough, rustic people who at the first sign of a foreigner will quickly start a disturbance that will undermine [the government’s] peaceful frontier policy.”⁶⁶ Even more troubling, Yang through his mouthpiece of the Xinjiang provincial assembly, suggested that the chief negotiator had been duped by the British who, as everyone in the province knew, had long held designs to carve southern Xinjiang off and connect it to Tibet, which itself had drifted into the British sphere of influence since the ending of the Qing empire. His “actions will place Xinjiang in British hands and we cannot fathom what evil intentions they hold,” the telegram darkly warned.

As officials in Xinjiang ratcheted up their rhetoric to torpedo the new company, they increasingly held up the agreement as a vestige of the imperial attitude once held by Qing dynasty leaders and elites toward China’s farthest western province. The decision to negotiate without including a single representative of the provincial government or its people, they suggested, not only put the region at risk of imperial domination, it was also an act tantamount to the “renunciation of the province’s rights” by the central government.⁶⁷ “This action goes against the idea of a nation” one of the telegrams indignantly proclaimed. “We did not realize that the law was so imperial” (*huanghuang*).⁶⁸

⁶⁶ “Zhong-Ying heban Xinjiang shiyoukang gongsi shi” (Institute of Modern History Archive)

⁶⁷ *ibid*

⁶⁸ “Zhong-Ying heban Xinjiang shiyoukang gongsi shi” (Institute of Modern History Archive);

One of the telegrams sent to Beijing even went so far as to make a moral appeal to the new warlord government which had taken power in Beijing. It noted that “although Duan Qirui and Xu Shusheng [the two previous warlord leaders of the “Anhui clique” who headed the Beijing government until being forced at the point of arms to step down earlier in 1920] had an imperial sense of independence, even they would not dare to brazenly sign an agreement with foreigners selling away Xinjiang’s oil wealth.”⁶⁹ Pointing to the ideological hypocrisy of the Republican regime, Yang hammered at the Beijing government for its inability to conform to the ideals of a true Republic. Considering the fact that the new government had already cancelled two legislative assembly elections, Yang questioned the motives of the new government, “beyond merely postponing elections, now you are personally dealing with threats to national sovereignty in a counter-productive way, you do not hesitate [in pushing forward with these policies] even if you must sacrifice the frontier regions.”⁷⁰

According to the communications with Beijing, the imperious attitude of the central government was only one part of the problem. The real issue was one of an insufficient feeling of nationalism. As the telegrams from Dihua pointed out, “This body [the provincial assembly] allows Xinjiang’s governor and government officials to oversee Xinjiang’s oil and coal to ensure that they are being used for the nation.” The fact that

This word “imperial” refers not to Western imperialism, but rather the imperial nature of the Qing court. The word *huang* is the same as that of “huangdi” (emperor) or “huangchao” (dynasty).

⁶⁹ “Zhong-Ying heban Xinjiang shiyoukang gongsi shi” (Institute of Modern History Archive)

⁷⁰ *ibid*

leaders in Beijing were willing to undermine the hard, thankless work of provincial officials in protecting Xinjiang's sovereignty and to sell out the province to the foreigners was too much to bear.⁷¹ "We cannot accept that [the chief negotiator] has legally signed away Xinjiang's coal and oil to representatives of oil companies from China-proper and to the English," they indignantly announced. "Xinjiang's oil and coal is sufficient enough to pay the province's administrative costs," they note. "And now the profits are flowing to the [chief Chinese negotiator] and into the hands of the British?"⁷²

For provincial officials the whole agreement was a grievous outrage. To unjustly sign away its mineral rights and deprive its government and its people of the lucrative profits of its one natural advantage was at best unjust and at worst demonstrated a troubling willingness to sell out the country's hard fought territorial sovereignty for profit. Provincial officials suggested that officials in Beijing simply did not understand Xinjiang's financial hardships and that hardworking provincial leaders were burning through the contents of the treasury in a desperate attempt to ensure that it did not descend into chaos or was not plucked up by greedy imperial powers. Yang and the provincial assembly pointedly noted that officials in Beijing must keep in mind that it was only "good fortune that Xinjiang is still part of China and that the province is still whole, [you] should be thankful for it."⁷³ Considering Xinjiang's distance from the

⁷¹ Yang had long proudly proclaimed that despite the difficult financial straits he refused to accept foreign loans for fear that the imperial powers would use them as a pretext for territorial annexation in the province

⁷² "Zhong-Ying heban Xinjiang shiyoukang gongsi shi" (Institute of Modern History Archive)

⁷³ *ibid*

organs of government in the inner Chinese provinces, the lack of financial or military support from the Beijing government, and the province's substantial autonomy, Yang's statement can also be interpreted as a veiled threat.

Understanding their inability to enforce the tenets of the potentially lucrative agreement, the telegram campaign from "beyond the pass" was successful in the end, and the Ministry of Foreign Affairs cancelled the treaty. Interest in the region from China and Russia also tapered off for the time being in response to the sharp increase in global oil production in the post-war period and the subsequent decline in global oil prices in the mid to late 1920s. Lacking the investment needed to set up a large-scale profitable mining enterprise in the region, the oil wealth of Xinjiang continued to be exploited on a relatively small scale. For provincial officials, while the operation may have yielded only a paltry 7,000 to 8,000 *taels* annually, a number that surely declined in the mid-1920s as the global oil glut pushed down prices in Xinjiang, at least this revenue was being funneled into their own treasury.

Holding Beijing at Arm's Length

Despite their setback, officials in Beijing did not abandon the idea of integrating Xinjiang as well as its mineral resources into the new Republic. Yet, these officials, like their Qing counterparts, were stymied by the difficult road connecting the province to China-proper. If only a road, or better yet a railroad could be constructed, officials felt, Xinjiang could be transformed from a resource-rich but wayward frontier of New China, into a vital, resource-producing province helping fuel China's ambitious economic development campaigns. The long 7,000 *li* or nearly 2,000 mile road from Beijing to

Dihua was notoriously bad. During the Qing period, the trip from the imperial capital took a speedy forty-three days to make it to Xinjiang's former military capital of Yili by official courier, but more than three months for the camel pullers and carters delivering imported commodities from China-proper in the long camel trails across Outer Mongolia. "Why has [Xinjiang's] wealth been exhausted?" asks the author of the *Illustrated Gazetteer of Xinjiang* in 1907. The answer, he responds, lies in the region's transportation infrastructure: "commodity transportation takes several months and it still does not arrive."⁷⁴

The situation had not improved much in the Republican period. The difficulty of Xinjiang's roads, both in terms of geography and condition but also the assortment of human based hardships including aggressive tax collectors, violent bandits, and grasping local officials were a literary trope for travelers of every stripe. As Langdon Warner described the path across north China in the early 1920s, "Bandits on the Honan border and to the west of it; Mohammedans violent in Kansu and possibly to the west of that; rains and seas of mud at first – then droughts and bitter desert cold."⁷⁵ The bumpy roads and long distances seemed to be the only thing holding back the integration of Xinjiang's resource wealth and tax revenues into the nation's economic development plans. As Sun Yatsen lamented in 1920, referring to Xinjiang specifically, "within the borders of the nation there are still large, natural resource rich areas that remain unopened."⁷⁶

⁷⁴ Yuan Dahua, ed "Commerce" in *Xinjiang tuzhi* 29 (Taipei: Wenhai chubanshe, 1906, 1923, 1965) 16

⁷⁵ Langdon Warner, *The long old road in China* (Doubleday, Page and company: New York, 1926) 1

⁷⁶ Xie, *Xinjiang youji* preface 1

Even after the failure of Sun Yatsen's plans to integrate Xinjiang and construct comprehensive transportation infrastructure in the early years after the founding of the Republic, the dream of more fully integrating Xinjiang had not died. In fact, after the unveiling of Sun's ambitious 67,000 mile rail network in 1912, he unveiled a second even more ambitious project, which was published in his work *The International Development of China* which laid the outline of a 100,000 mile rail network. The work reiterated the long-held desires to fully integrate the province along with its natural resources into China's economic development plans. Sun was not a member of the Beijing government at this period and indeed was focused on setting up a competing government in Guangdong, but the sentiment of desiring to integrate and open the resource wealth of the northwest was shared by his counterparts in the north.

The railroad engineer Shao Shanlu was tapped by the government in Beijing to lead the first recorded surveying expedition during the Republican period of possible rail routes into Xinjiang. His surveys of a "southern" crossing, which linked Xinjiang to Baotou in Inner Mongolia (which sat at the end of the Beijing-Suiyuan rail line), crossed the wastes of northern Gansu and Ningxia, and into Xinjiang. Later, a more well-known surveying expedition in 1919 undertaken by yet another engineer dispatched by the Beijing government, Lin Jing, confirmed Shao's findings and also undertook an extensive, nearly year-long survey of Outer Mongolia.⁷⁷ The potential rail line surveyed and outlined by Lin for the Beijing government would span 5,571 *li*, (nearly 2,000 miles). Echoing Sun Yatsen's optimism, Lin served as a booster for the construction of new

⁷⁷ Owen Lattimore, *Desert road to Turkestan* (Boston: Little Brown and co. 1929) 333

transportation infrastructure in the region, suggesting that the resources of the northwest will serve as the “future fountainhead of production for the whole country,” and called for the rapid development of a transportation network linking the region to China-proper.⁷⁸

The problem for officials in the Republican period was not one of motivation, but rather one of cost. “Whenever I talked [*sic*] with foreign railway men and financiers about the construction of railways to Mongolia and Sinkiang they generally got very shy about the proposition,” Sun pointed out in his 1921 work.⁷⁹ And their reticence should not be too surprising, considering the fact that Lin Jing estimated that every *li* of rail (around one third of a mile) would cost around 30,000 Chinese *yuan* to construct. The whole route from Baotou to Gucheng, a city in northeastern Xinjiang that Owen Lattimore referred to as the “gate to Inner Asia,” would cost around 165 million *yuan* total. Sun ultimately dismissed the concerns about cost with a complicated and economically questionable explanation of how a rail line from the populated coast to the relatively deserted borderlands would in fact pay heavy dividends for investors and justified the levying of large loans. Lin himself dismissed the concerns as well, though using different logic. He suggested that the future fiscal and security benefits of completing the rail line necessitated biting the fiscal bullet. Noting China’s financial “illness” during the period, Lin optimistically suggested that “railroads are truly a good medicine for treating this sickness.” He went on, “Although our people are exhausted,

⁷⁸ Lin Jing, *Xibei congbian* (Taipei: Wenhai chubanshe, 1930) 397- 398

⁷⁹ Sun, *Shiye jihua* 24

how can they be unwilling to take this medicine, unless they desire to walk the road that only leads to death?”⁸⁰

For those who thought that perhaps this bitter medicine was not worth imbibing, other transport options were open. Some officials felt that a highway connecting Xinjiang to China-proper by crossing Outer Mongolia might be just the solution they were looking for. Xie Bin, who did not travel to Xinjiang at the behest of those seeking to set up a rail line linking the province to China-proper, was much less focused on accomplishing the grand rail plans streaming out of Beijing and Canton. He asserted that setting up a railroad was far too ambitious, and in the end was not worth the tremendous expense. Instead, he suggested a more modest infrastructural course. He suggested instead that they oversee the construction of a series of tamped earth horse roads that could likewise accommodate car and truck traffic, and would connect Xinjiang to China-proper by crossing the vast Outer Mongolian steppe. In addition to his calls for a railroad, Lin Jing seconded Xie's approach and laid out the framework for a highway system that would stretch the length of Mongolia, spanning 4,360 *li* (around 1,500 miles). Considering the relatively flat topography, the cost was significantly less than that of building a rail line. Xie suggested the price tag was “not huge” amounting to only around 400,000 *yuan*.⁸¹ Recognizing the utility of highway connections into the region, in 1923, the Beiyang government established the Northwest National Highway Planning Office.

The first inkling of Governor Yang's position on the subject of improving transport links to China-proper came early. In 1913, the Xinjiang legislative

⁸⁰ Lin, *Xibei congbian* 394

⁸¹ Xie, *Xinjiang youji* 57

representative in Beijing began negotiating for the levying of a 10 million *tael* loan for the construction of a Trans-Mongolia rail line connecting the province to China-proper. After investigating the plan, Yang rejected it on financial grounds, noting that the agreement would saddle the already cash-strapped province with annual interest payments of more than 100,000 silver per year. A few years later in 1917, he vigorously rejected a similar proposal. That year, a local official in Yili wrote a report to the Beijing government's State Council calling for the construction of a Trans-Mongolia highway. Yang pointed out the total cost of building way-stations, purchasing trucks to ply the route, and constructing roads would cost a total of 6.5 million Chinese *yuan*, an amount more than nine times higher than the official's estimate and well beyond what either the Xinjiang or central government could provide.⁸² If the funds "are to be raised from the Xinjiang [provincial treasury] we absolutely do not have the means," Yang wrote.⁸³

There is evidence to suggest, however, that Yang's reticence about the construction of transportation infrastructure was by no means simply a reflection of limited finances and in fact resulted more from concerns that closer infrastructural connections to China-proper would draw the province into the violent warlord politics plaguing China at the time. Indeed, he told Lin Jing as much himself. When asked about the plans coming out of the central government for an integrated transport network, Lin reported that Governor Yang looked "indifferent" and replied that when transportation to

⁸² Yang, *Buguozhai wendu, xubian* 19

⁸³ *ibid*

the province was easy, “then those non-peaceful elements in the interior provinces will come in greater numbers and Xinjiang will be thrown into [China’s] whirlpool.”⁸⁴

Yang had once been a proud supporter of Yuan Shikai’s short-lived accession to the imperial throne of a shortlived Chinese empire in 1915. After the collapse of Yuan’s imperial dreams and his death the next year, Yang cast a jaundiced eye toward the political turmoil wracking China-proper. Through his communications with Beijing, in which he frequently references politics, it is clear that he kept up with the political machinations churning throughout the provinces located “inside the pass.” Monitoring from outside what he saw as the downward spiral of China, Yang sought to hold off the forces of militarism, extractive taxes, and corruption that seemed perched on his provincial doorstep. In 1918, he constructed a “reporting station” at the Xingxingxia canyon provincial border crossing, which was the primary entry point into Xinjiang from China-proper. The post served as a way for Yang to monitor traffic from the east.⁸⁵ The same year he also sought to repair telegraph links to China-proper in order to monitor events there, complaining that “important information on military matters cannot go through because telegraph poles are down.”⁸⁶

Yang was also bitter, feeling that the central government had abandoned him. He noted that despite the pounding financial crisis in Xinjiang in the early years after the founding of the Republic, leaders in Beijing had proven unwilling to support the spiraling province. “The central government spent hundreds of millions on its participation in the

⁸⁴ Lin, *Xibei congbian* 265

⁸⁵ Yang, *Buguozhai wendu, xubian* 23

⁸⁶ *ibid* 24

[First World War], but could not spare even a thousandth of a *yuan* to help relieve Xinjiang,” Yang bitterly recalled in 1927.⁸⁷ By the mid-1920s, things inside China-proper were if anything even more chaotic and the long-distance trade connections which had once bound the province to China were withering under the pressure of banditry and greedy local officials. Later, Yang complained that the lack of unity in China meant that merchants were often being taxed 8 or 9 times on the long road to Xinjiang, which was forcing many merchants out of business.⁸⁸

Indeed, time and time again, Yang himself stood in the way of attempts to by the Beijing government to integrate Xinjiang into China’s transportation infrastructure.⁸⁹ In what must have been particularly galling to government officials in China-proper, on at least one occasion, he equated the activities of Russian agents seeking to build roads in the province with the efforts of surveyors and transport planners from China-proper. “I ask the Ministry of Transportation to place on the record that, no matter whether it is foreigners or Chinese from the inner provinces, no one should be permitted to set up transportation plans without permission.”⁹⁰ Yang called instead for the development of Xinjiang’s transportation infrastructure to be spearheaded by the citizens of Xinjiang alone. Like his proclamations regarding the province’s mineral wealth, he sought to safeguard local interests and ensure that outside elements, be they Chinese, Russian, or British, played no role in infrastructural development. The construction of roads “should

⁸⁷ *ibid* 434

⁸⁸ *ibid*

⁸⁹ Yang, *Buguozhai wendu*, vol. 5, 2446

⁹⁰ Yang, *Buguozhai wendu*, *xubian* 23

be used to ensure that local people's rights will not be abrogated" by outside forces, Yang wrote. "Xinjiang's gentry deeply fears the loss of their economic rights (*liquan*) and would rather they personally establish and freely arrange" the construction of roads and the establishment of transport companies, he explained.⁹¹ Despite his rhetoric, Yang was well aware of the relative financial weakness of Xinjiang's gentry and merchant classes compared to other provinces. In rejecting outside funding, Yang surely knew that his actions would hinder the cause of linking the province to China-proper. It seems that he did not lose sleep over the prospect.

The situation was no better on the Russian side of the border. And just as the chaos in China prompted Yang to try and hold off any attempt to integrate the province into transport networks to the east, a similar situation framed his orientation toward the west. The rumbling preceding the Russian Revolution and the on-going chaos as the new regime sought to consolidate its hold over the old territories of the empire after the revolution prompted Yang to try and close off cross-border connections with Russia as well. True to form, Yang unceremoniously denied a 1917 request from the Russian consul to construct an auto road from the northern border town of Tacheng to the provincial capital of Dihua.⁹² Later, in 1919, he also rejected the idea of opening a trade entrepot on the border to facilitate greater cross-border exchange.

Instead, Yang seemed much more focused on the prospect of firming up Xinjiang's internal transport network, shoring up road construction and riverine transport

⁹¹ *ibid*

⁹² Yang, *Buguozhai wendu, xubian* 23

inside the province.⁹³ Smaller road building projects were unveiled throughout the mid-1920s, though these projects tended to be funded and undertaken at the county level. Beginning in the early 1920s, Governor Yang began experimenting with different strategies to raise funds from inside the province and oversee construction to underwrite the construction of a more modern internal provincial road system. In 1920, he permitted Xinjiang residents to use grain instead of scarce cash to purchase shares in road construction and transportation companies. Later, in 1924, Yang began soliciting investment for roads from local communities through the establishment of a network of “soliciting teams.” These teams, headed by the local magistrate and organized at the county level, sought to recruit new “members” who were required to provide one *yuan* for the privilege of serving. Officials would in turn use these funds to underwrite provincial highway construction.⁹⁴

Yang’s ability to maintain Xinjiang as an unaffiliated land apart began to shrink by the early 1920s, however. In 1921, he watched as Soviet military and financial support for Mongolian autonomy led to the peeling off of the former province of Outer Mongolia from the Republic and feared that a similar fate was in store for Xinjiang.⁹⁵ Yet, for Yang, the case of Outer Mongolia was troubling not merely as an object lesson for leaders of far flung peripheries of the Chinese state. It also closed one of the most important trade conduits linking Xinjiang to China-proper. Throughout the late Qing and

⁹³ Yang, *Buguo zhai wendu* vol. 1, 57; See also, and Yang, *Buguo zhai Wendu*, vol. 1, 66

⁹⁴ *Xinjiang zhengfu gongbao*, no. 13 (MG 19, 10th month), Quoted in: *Xinjiang gonglu jiaotongshi*, vol. 1 (Beijing, Renmin jiaotong chubanshe, 1992) 13

⁹⁵ Yang constantly lamented the loss of Mongolia and also frequently compared Xinjiang to its Mongolian neighbor to the northeast.

early Republican periods, large volumes of Chinese manufactured goods traversed the camel caravan routes linking the Inner Mongolia town of Baotou with Gucheng in Eastern Xinjiang.⁹⁶ The route served as a firm economic, social, and cultural connection the province to China-proper. In 1921, officials in Outer Mongolia closed the border. While some traders continued to ply the route illegally and some amount of trade continued to flow into Xinjiang via the cart roads farther south, the total volume of imported goods from China-proper began to decline substantially. The important connection that had bound this periphery to the Chinese metropole since the late nineteenth century had been effectively cut.

The severing of the trade routes across Outer Mongolia was the first step in the elimination of Governor Yang's ability to walk the line between China and the Russian (and Soviet) Empires. The province depended on imports from outside of the province, and in effectively eliminating one important trade partner, Yang found himself depending even more heavily on the newly emergent Soviet Union. While he may have once been content to hold the Russian Empire at arms length, throughout the mid to late 1920s, he was no longer afforded that luxury. The tightrope that he had been able to walk throughout much of his career as the governor of Xinjiang had vanished beneath his feet with the cutting off of the trade route. He and his successors had little choice but to jump into the arms of the Soviet Union in order to keep from plummeting to earth.

⁹⁶ The routes were preferable to the cart route across North China because of the availability of fodder for horses and camels and also the comparatively fewer number of tax collectors and bandits. For more information on this route, see Zhu Jin, "Qingmo Minchu caoyuan shanglu yanjiu" in *Xinjiang jinxindai jingji yanjiu wenji* (Urumqi: Xinjiang daxue chubanshe, 2002) 471-521

Chapter 3: A Soviet Hinterland in Chinese Turkestan, 1921-1936

The fact that Yang Zengxin was able to act with a high degree of economic, political and diplomatic autonomy in Xinjiang was made possible not only by his distance from China-proper but also by the virtual disappearance of the Russian empire in 1917. The Czar's aggressive forward policy in Xinjiang ended overnight with the October Revolution, and Russians played almost no role in the province for the next three years. The fall of the Czarist government ended confidence in Russian *rubles* which had long served as the stable currency of choice for merchants and officials with means in the province.

Russian merchants who seemed to hold the province's economy in the palm of their hand in the years following the 1881 Treaty of St. Petersburg either fled back to Russia or escaped the violence of the revolution by taking up permanent residence in Xinjiang. Russian manufactured products like iron wear, glass, and cotton which had long flooded Xinjiang's local markets and forced out more expensive goods shipped in from China-proper dried up completely. The unrest in Russia also helped stimulate local manufacturing enterprises, and increased informal caravan trade connections with China-proper which in turn helped increase commerce taxes. It also served as a short-term boost to Xinjiang's battered currency, as the plunge in value of Russian rubles with the fall of the Czar and a long-term currency buy-back campaign waged by Yang, served to increase the value of the provincial *tael*, and in 1918 had recovered enough so that 160 or 170

provincial *taels* could purchase 100 *yuan* in a specie-backed Chinese currency.¹ Yang reveled in the economic upswing and seemed to feel that the economic tide would not recede.

The good times could not last, however. And when the new Union of Soviet Socialist Republics (USSR) shook off the cobwebs, and re-exerted the central position in Central Asia once held by the Czarist government, Yang and his successors Jin Shuren and later Sheng Shicai found their economic, political, and diplomatic wiggle room severely diminished. The re-emergence of Russian economic might caused the tightrope between the Russian Empire and the Chinese nation across which Yang had so nimbly danced, to disappear beneath his feet, forcing him and his successors to leap into the arms of their Soviet neighbors

Out of the Ashes and Back into Central Asia

The withdrawal of Russian consular officers, the noticeable drop-off in Russian imports, and the declining number of Russian merchants walking with a swagger through Xinjiang's local markets after the 1917 October Revolution was not viewed entirely unfavorably from the provincial governor's office in Dihua. Yang had frequently complained about the heavy handedness of Russian officials and constantly worried in reports to the Ministry of Foreign Affairs in Beijing about the designs that the Russians had on annexing Xinjiang or its natural resource wealth. Yet, he also quickly realized that the collapse of Xinjiang's primary provider of manufactured goods, and the most important market for its raw materials was not without important consequences. By 1919,

¹ Li Xincheng, *Yang Zengxin zai Xinjiang* (Taipei: Guoshiguan Yinhang, 1993) 25

the economic impact of the Russian Revolution and the continuing unrest in Central Asia as the new government sought to centralize its control over the Czar's former holdings in the region were already beginning to materialize.

Reports began to stream into the governor's office from far flung corners of the province, as the lack of Russian buyers for wool, pelts, and cotton were making it difficult for local suppliers to market their goods. The subsequent glut of these products caused prices to plummet, endangering the livelihoods of local merchants and undermining local tax revenues. Zhou Dalong, the secretary of the excise tax office for Suilai county in northern Xinjiang wrote to his superior in the capital in June 1919, complaining that while officials had had no problem in the past collecting taxes on furs, this year, at the height of shearing season, the local merchants dealing with the nomadic producers were unable to pay their share. "Because of the war in Russia, furs and pelts are not selling and as a result the price in silver has dropped by half," Zhou explained in his report.² The concern for Zhou was that taxes on furs made up the largest percentage of their annual revenue, and the decline in numbers would push them squarely into the red. But the drying up of the fur markets in Russia also impacted local merchants. Glossed over by Zhou is the fact that a Muslim merchant named A'bizi, who was responsible for collecting the county's taxes on furs from local nomadic families, and who had paid the taxes without incident in 1917 and 1918, was unable to come up with

² "Shengzhang Yang Zengxin wei jianfa Eshang yunhuo piaozhao shi gei waijiao gongzhu de xunling" (6/20/1919) in *Xinjiang Weiwu'er zizhiqu dang'an guan*, ed. *Xinjiang yu Su'E shangye maoyi dang'an shiliao* (Urumqi: Xinjiang Weiwuer Zizhuqu dang'anguan, 1994) 109

sufficient taxes in 1919 because of the changes in the market. A'bizi was feeling the pinch brought on by the lack of Russian fur buyers.

Yang himself was aware of the hardship facing Xinjiang's merchant community. He noted in a report to Beijing two years later that merchants were suffering and local officials were seeking trade. "Because of the chaos in Russia goods were unmarketable, and the profits from trade dried up," he explained.³ The situation was also noticed by Russian officials. In 1920, a newly installed Soviet official noted in a telegram to his superiors in Moscow that during a trip to the region just opposite Yili he was sought out by merchants from Xinjiang. These merchants hoped to unload massive amounts of hides, dried fruits and nuts, and tea at favorable rates of exchange for textiles and iron products. "Representatives are waiting for a response," the official wrote, and concluded by saying that these merchants assured him that "much more can be delivered in a second installment."⁴ Similarly, in early 1920, when Russian officials traveled to the border town of Tacheng with the hope of negotiating with provincial officials to open the city to cross-border trade but were turned away by local Xinjiang officials, the Tacheng Chinese merchant community started a ruckus to get them to change their mind.⁵

Chinese sources suggest that the desperation was not limited to merchants in Xinjiang, and that Russian merchants too pressed their officials to re-open the border to

³ Yang Zengxin, *Buguozhai wendu, xubian*, vol. 2 (Beijing, Shanghuan chubanshe, 1926) 52

⁴ Barmin, V.A, *SSSR i Sin'tszian, 1918–1941* (Moscow: Barnaul, 1999) 36

⁵ Li Sheng, *Xinjiang dui Su (E) maoyishi, 1600-1990* (Urumqi: Xinjiang renmin chubanshe, 1992) 248

trade.⁶ According to the documentary record, it seems that the impetus to opening negotiations for a new trade agreement between the province and the Soviet Union, was undertaken by representatives from the Russian side. Despite Soviet officials assuring themselves that “Xinjiang is inextricably linked with Russia, and that trade with [the country] is a source of well being of the province,” on seven separate occasions from 1919 to early 1920 delegations from the USSR requested the opening of negotiations for a new trade agreement.⁷ Yang intended to take advantage of this position in the driver’s seat, noting in an April 10, 1920 report to Beijing that “now the old Russian party has been exterminated, and the new party has repeatedly approached Xinjiang to open trade, I intend to seize this opportunity.”⁸ In a statement of principles that he drafted for his negotiators, Yang called for the elimination of the tax exemptions on Russian traders were the centerpiece of the 1881 Treaty of St. Petersburg. “In achieving our goal of having Russian traders pay taxes, then we will be returning Xinjiang’s long lost sovereignty. This is the most important,” Yang passionately stated in a May 18, 1920 telegram to Xinjiang chief negotiator Xu Guozhen.⁹

On May 28, 1920, a full four years before the Chinese government officially recognized the Soviet Union, Xu got permission from Yang to sign the “Yili Temporary Trade Agreement.” The accord restricted cross-border trade to the town of Yili on the

⁶ “Shengzhang Yang Zengxin guanyu Xin-E xiuding tongshang maoyi zhangcheng shiyi gei waijiao tepaiyuan Zhang Shaobo de miling” (5/1920) in Xinjiang Weiwu’er zizhiqu dang’an guan, ed. *Xinjiang yu Su’E shangye maoyi dang’an shiliao* 120

⁷ Li, *Xinjiang dui Su (E) maoyishi* 247-248

⁸ Yang, *Buguozhai wendu xubian* 297

⁹ *ibid*, 298

northern Xinjiang border and required that Russian traders pay the same taxes as their Chinese counterparts. For Yang, the agreement was an unabashed victory, significant in its elimination of one of the many late Qing “unequal treaties” that had long shamed officials, and which had depriving them of their sovereignty and in this case, revenues. It also seemed to be an all around victory for Yang, as it appeared that the agreement would not only not jeopardize his carefully guarded autonomy, but it also appeared to offer the possibilities of a gilded future. According to his calculations, the tax exemption had cost the province as much as 50 million *taels* in lost revenue since the ratification of the Treaty of St. Petersburg in 1881 and resulted in a net loss of 1.5 million *taels* annually.¹⁰ “Not only does it return several decades of lost sovereignty, it also returns a not insignificant amount of wealth and profit back to the national finances,” Yang proudly proclaimed.¹¹ He eagerly began to account for the use of the new revenue stream to pay military expenses which had grown as a result of the unrest along the Russian border in previous years.

Russian officials were also pleased with the re-opening of trade, but Russian traders found it difficult to quickly regain their position at the center of Xinjiang’s markets. a position that they had clung to firmly until 1917. A few widely publicized incidents in which Chinese merchants were robbed by roving bands of former Czarist soldiers turned bandits, contributed to feelings of mistrust on the Xinjiang side of the border. Even more, many merchants in Xinjiang had lost sizable sums of money after

¹⁰ Yang, *Buguozhai wendu, xubian* 296

¹¹ *ibid* 301

1917, as their hoarded supplies of Russian *rubles*, once the most stable form of currency in the province, became little more than wastepaper after the fall of the Czarist government. In border towns like Tacheng in the north or Kashgar in the south, where merchants had once tended to hold substantial amounts of their capital in *rubles*, merchants complained to the provincial government about their financial losses. In a 1923 report to the provincial government, officials in Tacheng pointed out that 28 local companies had lost a total of more than 2.2 million *taels* in capital held as *rubles* and which the new government in Moscow refused to accept. In Kashgar, officials made similar statements, pointing out that in many cases more than 80 percent of the capital held by a given shop would be in the form of the Russian currency.¹² Scholars have suggested that a lack of “trust” in the new Soviet government was what led to a relatively low volume of trade in the years immediately following the trade agreement. Indeed, the total volume of trade in 1921 was a paltry 1.54 million *taels* only around 1/10 of the amounts (after accounting for changes in currency values) of the previous high water mark of 1914.¹³

Trade between Xinjiang and the Soviet Union inched upward in the years following 1920, but the inability to increase trade volumes and re-exert their dominant economic position in the province frustrated Soviet officials. To help rectify the dynamic, Soviet officials sought to woo Xinjiang merchants back to Russian markets with a dazzling public relations campaign. In February, local officials in Yili received notification that the first meeting of the Eastern Central Asia Russian Chamber of

¹² Li, *Xinjiang dui Su (E) maoyishi* 259-262

¹³ *ibid* 263

Commerce would be held on October 18, and invited representatives from neighboring countries to participate in the meeting in Tashkent. Participants would be able to interact with local officials and see the Soviet side of the market, an opportunity that was billed as one that was “few and far between.” The hope, the notice suggested was, “to avoid any future commercial obstacles, and to promote the development of commerce for both sides.”¹⁴

Similarly, in the summer of 1925, the Xinjiang commercial representative in Yili received a diplomatic notice from the Soviet government that stated a “market” that would dwarf the size of the typical Central Asian livestock fair would be held from June 15th to August 15th just across the border from the town. Included in the packet was an advertisement, and a notice that stated “we would very much like Chinese officials and merchants to come to this market.” The Soviet government in Turkestan even dispatched a special consular representative to Xinjiang territory to facilitate the issuing of visas for merchants.¹⁵ Xinjiang provincial officials were less than enthusiastic though they had little say in the matter. As the local Ministry of Foreign Affairs representative in the province wrote to the top local official in Yili, “If Chinese merchants want to go to the market and trade, Chinese officials cannot add any hindrances to stop them.”¹⁶ The event, also billed as a “trade fair” (*maoyi jishi*), attracted eleven Xinjiang companies in 1925,

¹⁴ “Shengzhang Yang Zengxin guanyu canjia Zhongyaxiyadong Eshanghui yishi gei jiaoshezhu de xunling” (2/4/1925) in Xinjiang Weiwu’er zizhiqu dang’an guan, ed. *Xinjiang yu Su’E shangye maoyi dang’an shiliao*, 185

¹⁵ Barmin, *SSSR i Sin’tszian* 71

¹⁶ Li, *Xinjiang dui Su (E) maoyishi* 311

and according to Soviet reports Chinese traders drove 30,000 sheep and 3,000 head of cattle to the fair. The success of the event prompted officials to hold it again the following year. Attendance grew, attracting 71 companies the next year, and drawing merchants from all over the province to market their goods. In 1927, 73 Xinjiang companies participated, generating more than 7 million *rubles* of trade.¹⁷ The PR campaign seemed to be having an effect, as Russian trade increased substantially throughout the mid-1920s and by 1926 had already surpassed pre-1917 levels.

As far as representatives of the Soviet Union were concerned, while the trade increase was a positive development, it was not substantial enough, and they pressed Yang to lift the institutional restrictions that confined Soviet-Xinjiang trade to the Yili trade entrepot. The Chinese consul in Tashkent Zhang Shaobo reported to Yang that he had received a diplomatic message from the Soviet foreign branch office in the city on June 3, 1926 asking to ease trade restrictions along the Soviet-Xinjiang border despite the fact that a new trade agreement replacing the 1920 accord had not yet been agreed upon. Noting that the Soviet government was allowing trade all along the border, the notice sought to both wheedle and threaten. “Our Soviet government permits Chinese the pleasure of transporting across the border for their benefit, and we only hope that the Soviet people can enjoy the same and that [in the future] commerce will increase by the day.” In a veiled threat, the notice pointed out that earlier in the year the Soviet government in Moscow “issued an order not permitting Chinese sheep, sheep intestines, or hides to cross the border and putting restrictions on Chinese traders.” They left the

¹⁷ *ibid* 312

door open for negotiations, cryptically pointing out, but “the orders are not that clear, and the Soviet consul [in Xinjiang] can think over whether we need to respond to it or not.”¹⁸

Many merchants in Xinjiang viewed the growth in Russian trade with concern. When negotiations commenced in 1926 over whether or not to open trade all along Xinjiang’s borders, a delegation of them sent a message to Yang requesting that he proceed with caution and make sure that any expansion of trade would not undermine the position of merchants in the province. “International trade relations must first ensure that the economic rights of both are protected and that profit is balanced with harm.” Expressing an underlying fear about the potential re-emergence of Russia, Chinese merchants identified Xinjiang’s local products as ammunition that will be used in the looming “economic war” with other imperial powers and asked for protection using nationalistic rhetoric that they knew would resonate: “we ask that the governor undertake negotiations according to the popular will, to protect the profits of Chinese merchants and defend China’s sovereign rights.”¹⁹

Yang sought to assuage his merchant constituents and encourage additional trade simultaneously. He felt that by establishing a new, official trade agreement, Xinjiang would be able to protect itself from outright exploitation. In response to the Soviet threats to close the border, Yang responded, “I fear that in a situation in which a trade agreement is not developed, both countries will lose out on profits.” He went on “If you want commerce to develop and the economies to move forward, you should advance trust

¹⁸ “Shengzhang Yang Zengxin guanyu xianzhi Sushang yunhuo ru Xin yian gei jiaoshezhu de xunling” (7/15/1926) in Xinjiang Weiwu’er zizhiqu dang’an guan, ed. *Xinjiang yu Su’E shangye maoyi dang’an shiliao* 228

¹⁹ Li, *Xinjiang dui Su (E) maoyishi* 335

and understanding on both sides and promote a commerce agreement. A few weeks later in a response to the existential fears of Xinjiang's merchant community being driven out of business by the Soviets, he joked, "how can anyone stop the Chinese people from trading?" And went on, "In the future if Xinjiang establishes a trade agreement with the Soviet Union [opening multiple trade sites], it will of course be established on the basis of law and justice, and will protect China's sovereignty and protect the profits of the Chinese people."²⁰

Yet, the situation was largely out of Yang's hands. While he may have been able to hold a hobbled Russia at arms lengths in the years following 1917, in the mid-1920s the Soviet trade machine was just gearing up to swamp Xinjiang. The total volume of trade in 1922 was valued at 374,000 *rubles*, but that number had exploded to 7 million *rubles* by 1925, doubled to 14 million by 1926 and nearly doubled again the next year, skyrocketing to more than 20 million *rubles* of trade annually. The growing economic power of the Soviet Union evoked concern from provincial officials who feared that the restrictions on trade and the Soviet ambitions would doom Chinese control of Xinjiang, as one local official worried, in this context, "How will our "New Dominion" (Xinjiang), not turn into the Russian 'new dominion (*xinjiang*)?'" he asked playing on the name of the province.²¹ In the end, Yang proved unable to keep his finger in the dike and hold back the tidal wave of goods flowing across the border. To at least help regulate trade

²⁰ *ibid* 336

²¹ "Shengzhang Yang Zengxin guanyu Akesu daoyin Zhu Ruichi suo cheng Xin-Su maoyi ruogan biqing yishi gei jiaoshezhu de xunling" (9/26/1926) in Xinjiang Weiwu'er zizhiqu dang'an guan, ed. *Xinjiang yu Su'E shangye maoyi dang'an shiliao* 231

and collect customs taxes, in January 1928 he violated the terms of the 1920 agreement and opened not only Yili, but also Tacheng and Dihua to Russian traders.

Soviet light industry ramped up as part of the preparation for the USSR's First Five Year Plan (1928-1932) and manufactured goods like cotton, metal products, and glassware flowed into the province throughout the late 1920s.²² The vast push from newly emergent Soviet factories drove a tidal wave of manufactured products into the region that exceeded the ability of local markets to absorb them. The volume of products was so high that the even Soviet officials began to worry about a backlash from consumers in Xinjiang and some even called for more restrictions on exports to the province.²³ Soviet trade law forbade exchanges in currency, thereby encouraging barter and ensuring that the bulk of trade continued to be an exchange in which the province's raw materials were traded for Soviet light manufactured goods, a situation which only facilitated the trade imbalance. One Russian scholar estimates that during this period, less than 25 percent of Xinjiang's goods were purchased with *rubles*, thereby helping promote the Soviet Union's nascent light industry. Early on, Xinjiang's wool was particularly prized and made up the vast majority of exports to the Soviet Union. The value of wool exports was nearly three times higher than the next highest export – live horses. In 1926, raw cotton exports increased substantially, but wool continued to command 43 percent of the total, compared to 19.7 percent for cotton. Imports into the province were dominated by manufactured cotton textiles throughout the mid-1920, and the value of the bolts of cotton equaled 3.9 million *rubles* in 1926, making up 64.5

²² Barmin, *SSSR i Sin'tszian* 73

²³ *ibid* 44

percent of the total. The next highest valued import was refined sugar at 850,000 *rubles*.²⁴

Once impervious to pressure and haughty in his responses to both Chinese and Russian requests to open the province, by the late 1920s, Governor Yang now seemed to sense that he would not longer to be to keep Xinjiang fully separate. While Yang had unceremoniously denied a 1917 request from the Russian consul to construct an auto road from the northern border town of Tacheng to the provincial capital of Dihua.²⁵ Nine years later in 1926, however, he broke ground on the road and using White Russian engineers and surveyors firmed up his transport connections to the west. And while he continued to hold China at arms length, in the spring of 1928, the first road made for car and truck traffic in the province linked Xinjiang with its Soviet neighbor.²⁶ In a conversation with the Soviet consul in Dihua in 1928 Yang agreed to “strengthen our relationship even further.” He went on to call for an even closer relationship, pointing out that “Xinjiang is closely linked geographically and economically with the Soviet Union, and it is better to surround ourselves with friends instead of enemies.”²⁷

Improvements in the Soviet transportation network undertaken in the early 1920s, seemed poised to flood the province with even more goods and force Xinjiang even more directly into the Soviet sphere of influence. The iron noose in the form of the Trans-

²⁴ Li, *Xinjiang dui Su (E) maoyishi* 325

²⁵ Yang, *Buguozhai wendu, xubian* 23

²⁶ *Xinjiang gonglu jiaotongshi*, vol. 1 (Beijing, Renmin jiaotong chubanshe, 1992) 13-14

²⁷ From a conversation quoted in: Barmin, *SSSR i Sin'tszian* 93-94

Siberian railroad north of the province and the Trans-Caspian line just to the west, which seemed poised to strangle Xinjiang in the first two decades of the twentieth century, was now being tightened with the construction of a new line connecting the two lines. The 1,400 kilometer (870 miles) Turk-Sib line had been planned since the nineteenth century, but after a number of stops and starts was once again prioritized in the early 1920s. The Moscow government surveyed the area in 1925, fast tracked it as a component of the First Five Year Plan, and earmarked the 165 million *rubles* needed for its construction in 1928. The Chinese consul in Irkutsk was able to gain a copy of plans for the project from the Soviet Ministry of Transport along with a detailed map that revealed just how close the new line was from Xinjiang's western border. Xinjiang's "provincial economy, I fear, will be completely monopolized by Soviet Russia and that afterwards disasters will surely multiply," the consul worried in a communiqué to the Ministry of Foreign Affairs.²⁸

Soviet officials specifically voiced their desire to dominate Xinjiang markets, calling for a total trade in 57 million *pood* of goods into the province (around 916,000 tons) of which 51 percent would consist of exports into the province the rest being made up of various raw material imports into Soviet Turkestan including grain, cotton, coal, and other products.²⁹ The 14 million *ruble* annual cost of operating the line would be more than compensated by the 18 million *rubles* in profit that were to be taken in annually.³⁰ For officials in Xinjiang, the economic impacts seemed to conceal a darker

²⁸ "Su'e shixing jianzhushang xitielushi cheng song Sulian jiaotongbuzhang zhi baogao jiluxian tushi" (MG 16, 4th month), Ministry of Foreign Affairs Collection: 03-17-059-02-001, Academia Sinica, Institute of Modern History Archive, Taipei, Taiwan R.O.C.

²⁹ From a translated Soviet work report on the Turk Sib line in 1927, attached to *ibid*

³⁰ *ibid*

purpose. “On the surface they have stated that the reason [for building the rail line] is for the economic reason of developing commerce in border regions,” the consul wrote. “But in reality their plans contain a political end,” he said referring to the potential domination and ultimate annexation of the province.³¹

The anxious reports forwarded by the Ministry of Foreign Affairs to Yang, however, were met with near apathy. Yang, who once so nimbly sought to counter any attempt to disrupt the balance of power seemed resigned to his fate. He bitterly responded to the alarmed telegrams streaming into his provincial office about the rail line: “Since the establishment of the Republic, there has not been one day which has not been witness to internal fighting. It seems if we [China] diverted one-third of the amounts we spend paying back foreign loans or on military expenditures on the construction of railroads, then we surely would have already announced the completion of a line linking Shaanxi, Gansu and Xinjiang.” He went on, “How can we make foreigners not build a rail line surrounding us on all four sides, when we do not have the desire to build a railroad ourselves?”³²

The resurgence of the Soviet Union’s industrial machine served to roll back all of Yang’s gains in the World War I period, and eliminated the diplomatic maneuverability he had once enjoyed. Provincial *taels*, which were strengthened by the steep decline in demand for Russian *rubles* during the post-1917 period, were once again plummeting in

³¹ *ibid*

³² “Fu benbu xianzi diliujiuwuhao han guanyu Su’E jianzhu shixi tielushi” (MG 16, 4th month) Ministry of Foreign Affairs Collection: 03-05-059-02-004, Academia Sinica, Institute of Modern History Archive, Taipei, Taiwan, R.O.C.

value. Soviet *rubles* flooded markets in the province alongside the Soviet products, and the greater stability of this currency served to push down the demand and subsequently the value of provincial notes, from a 2:1 exchange rate with Chinese *yuan* in 1921 to 3:1 in 1928, thereby eliminating the short economic boost enjoyed by Yang in the late 19teens.³³

By the late 1920s, it was clear that Xinjiang was being locked into a subservient economic relationship with their neighbor to the west. In 1923, the Soviet Union banned the import of processed goods in order to protect domestic industries. The move torpedoed plans by Yang to try and kick-start Xinjiang's textile manufacturing, and leather tanning industries, among others and transformed the province into simply a producer of raw materials for the Soviet industrial machine.³⁴ At the same time, Soviet merchants refused to exchange Xinjiang's raw materials for cash, thereby forcing them instead to trade them for Soviet manufactured goods. As one merchant representative complained in a letter to the provincial governor's office, "the Soviets will not trade for cash, they only trade Western goods, Western iron and Western sugar. Chinese merchants then carry back worthless goods to Xinjiang and while their country grows richer, our Xinjiang grow ever more impoverished."³⁵ By the late 1920s, the Soviet Union had set up transportation companies, fur and hide enterprises, and banks in Xinjiang to facilitate the extraction of Xinjiang's raw materials. The Soviets, claimed a local Xinjiang official in the border town of Tacheng in 1928, "are everywhere seizing

³³ Wu Shaolin, *Xinjiang gaiguan* (Nanjing: Rensheng Yinshuju 1933) 273

³⁴ Yang Zengxin, *Buguozhai wendu, sanbian* (Taipei: Wenhai chubanshe, 1954, original print 1934) 432

³⁵ Li, *Xinjiang dui Su (E) Maoyishi* 354

our economic rights, and absconding with our financial resources.”³⁶ As Owen Lattimore, who traveled through the region in the mid-1920s pointed out: “The economic keys of the province, to which the Chinese in modern practice have trusted to lock their political rule, are passing into Russian hands.”³⁷

Fiscal Crisis and a Turn Toward the East

Facing down dwindling revenues and increasing provincial expenditures, in 1926 Governor Yang Zengxin unveiled his “border policy focused on supporting the people’s livelihood,” a policy which proposed cutting government expenses and limiting taxes.³⁸ Governor Yang justified his new frontier policy, which he labeled “open-ism” (*kaifang zhuyi*) as being a component of a Confucian “empty citadel” ruling philosophy. Among other things, the policy ended the presence of provincial officials in Xinjiang’s gold fields. The shift allowed people to mine without having to pay rental taxes on ore fields and they would no longer be required to sell back gold at official prices.³⁹ Moralizing reports to Beijing laid out the tenets of this approach, as he chastised a succession of governments in China for their venality, high taxes, and swollen armies. In a 1927 report to Beijing he urged self-reflection among China’s leaders, calling on them to cut military expenditures

³⁶ *ibid* 362

³⁷ Owen Lattimore, *High tartary* (New York: Little Brown and company, 1930) 78

³⁸ Yang, *Buguozhai Wendu, sanbian* 462

³⁹ This policy effectively relinquished the provincial government’s claims to the 2,688 ounces of gold being mined annually in the province. Yang, *Buguozhai wendu sanbian* 430

and taxes: “All of the chaos under heaven is a product of too many troops, and poverty in the four seas is a product of heavy taxes.”⁴⁰ Putting his money where his mouth was, Yang refused to maintain a long-term, standing army. He believed that the need to equip and feed soldiers was a severe strain on the province’s finances and that maintaining large armies in peacetime undermined social stability and led to the emergence of potential rivals for power. He relied instead on a decentralized military structure, that depended on localized, short-term recruitment. “Xinjiang’s military is complicated and the cause for this is that it is not organized like a large army, instead [soldiers] are raised from time to time and disbanded from time to time,” Yang noted in 1927.⁴¹

The assassination of Yang in April 1928 unceremoniously ended the open-ism policy as well as the steady stream of sanctimonious reports to leaders in the Republic of China. His successor, Jin Shuren, a leader who has been widely derided by Western and Chinese alike as an opium besotted bungler, undertook a major policy shift that pushed the province’s finances to the brink.⁴² Faced with the perennial problem of balancing administration and defense with meager tax revenues, Jin increased expenditures without fundamentally addressing the complex Gordian knot of Xinjiang’s finances. For Jin

⁴⁰ *ibid* 432

⁴¹ Yang, *Buguozhai wendu, sanbian* 432

⁴² Jin Shuren has been much maligned by Chinese and Western scholars both, who have criticized him with only spotty evidence as being an avaricious opium addict and charge him with having run the province into the ground. Sven Hedin, the Swedish surveyor tapped by the Nanjing government in 1933 to undertake road surveys describes his administration as being characterized by “misgovernment, greed, and oppression.” There is little to suggest, however, that Jin was any more or less greedy in his pursuit of personal gain than Yang or indeed other regional governors during the period. Sven Hedin, *Big horse's flight : the trail of war in Central Asia* (London: Macmillan, 1936) 2

Yang's decentralized "empty citadel" left far too many revenue raising opportunities untapped. Not long after coming to power in 1928, Jin reversed course and undertook a policy of heavy centralization, seeking to stake an unwavering claim to Xinjiang's natural resource wealth and maximize the production of revenue. For Jin the path to maintaining the province's withering autonomy was through strengthening the power of the provincial government.

One of Jin's first acts as governor was to rapidly increase the size of Xinjiang's standing army. For him, a conflux of threats, including militarists and armed agitators from Gansu and Qinghai provinces to the east, internal unrest among various non-Han populations, potential outside competitors for Xinjiang's rich resources including Mongols, Russians, and the British, prompted Jin to invest heavily in Xinjiang's anemic military structure. Jin increased the size of Xinjiang's army by more than three times from July 1928 when he took power to the end of the year, increasing the number of divisions from three to eight. A few years later, he once again doubled the number of troops, bringing the total to more than 60,000, a substantial number in this poor, arid corner of the Chinese Republic.⁴³ The military expansion pushed Xinjiang's financial ledgers to the breaking point. The province's total expenditures more than doubled from 1927 to 1928, increasing from 10 million Chinese *yuan* to more than 23 million. The bulk of this increase was a result of the increase in military expenses, which increased by

⁴³ See: Mai Yuhua, "Jianlun Jin Shuren zhu Xin" *Journal of the Wuhan engineering institute* 16:3 (Sept. 2004) 62-64

nearly two-thirds from 9.5 million to 21.9 million, an amount which made up 93 percent of the province's total expenditures.⁴⁴

In 1928, expenditures outstripped revenues by more than five times and that year, the financial ledgers ran red to the tune of 23 million Chinese *yuan*. In order to make up the difference, Jin took a page from Yang's administration of the province and began to aggressively print currency unbacked by specie. Sources differ on the exact amounts of Jin's reliance on the printing press. The numbers range anywhere from 150 million to 200 million *taels* in provincial currency in the years before 1933, an amount which dwarfed Yang's campaign of printing provincial currency in the 19teens.⁴⁵ If Jin wanted to avoid a complete fiscal apocalypse he would have to uncover new forms of revenues and, if at all possible, increase the flow of specie into the provincial treasury.

The rapid increase in the global gold price in the late 1920s prompted officials throughout China to scour musty geological reports to determine the extent of the gold wealth located within their borders. "The explosion in gold prices has had a massive impact on the national economy and opening gold mines has become of vital importance" wrote the Department of Industry and Commerce to the Xinjiang government in 1929.⁴⁶ While Yang might have seen oil drilling as the potential answer to his fiscal woes in the

⁴⁴ Zhang Dajun, *Xinjiang fengbao qishinian*, vol. 4 (Taipei: Wenhai chubanshe, 1980) 2886-2891; See also: He Rong, "Jin Shuren shiqi Xinjiang jingji yanjiu" in *Xinjiang jinxindai jingji yanjiu wenji* (Urumqi: Xinjiang daxue chubanshe, 2002) 571; In addition to spending to increase the military, additional money was spent to develop the province's transport network and to oversee its internal affairs.

⁴⁵ He, "Jin Shuren shiqi Xinjiang jingji yanjiu" 596

⁴⁶ "Junbu daidiannei kaiqian yin zhengli kuangqu kuangshui tongjidian" (MG 18, 2/4) Economic Affairs Collection: 17-24-61-001-01 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.) 16

late 1920s and early 1930s when oil prices peaked, Jin and officials in Nanjing turned to gold extraction in the late 1920s and early 1930s as the global price for gold skyrocketed. By all indications, while Jin proved interested in uncovering the gold wealth of Xinjiang, like his predecessor Yang, he had little interest in passing these revenues up the line to the newly established Guomindang (GMD) government in Nanjing.⁴⁷ He continued to toe the baseline regulatory reporting requirements on mines, offering annual reports on the mineral wealth contained in various ore fields in the province.. In these reports, he balefully reports that even in the most lucrative gold field in the province, “the revenues do not exceed expenses and there is no excess.”⁴⁸ It is impossible to determine the veracity of Jin’s statements but in all likelihood he would underreport gold production in order to ensure that the fruits of Xinjiang were used to balance the provincial books rather than use them to underwrite the GMD treasuries.

Shortly after coming to power in 1928, Jin had big plans for exploiting Xinjiang’s mineral wealth. The first step in this process was quickly ending Yang Zengxin’s “openism” policy in Xinjiang’s gold fields. The rationale for the beginning of Yang’s policy in 1926 was to protect miners from being exploited by greedy merchants and local officials with an eye toward undercutting potential unrest in ore-rich regions. Jin argued in a report to Nanjing, however, that the drying up of mining enterprises had a negative economic impact in Xinjiang. “The source for currency has been broken off and the

⁴⁷ As one newspaper reporter bitterly complained, “in times of peace or in times of crisis, China receives not a penny from the province.” Quoted in Zhang, *Xinjiang fengbao qishinian*, 2855-2856

⁴⁸ “Junbu daidiannei kaiqian yin zhengli kuangqu kuangshui tongjidian,” (Institute of Modern History Archive), 18

financial situation is withering as a result,” Jin explained. He argued that his reliance on printing money and the subsequent decline in the value of provincial currency was all a product of Yang’s closing of gold mines in the province.⁴⁹ Mining, he argued in a report published in 1930, played a central role in the overall well-being of the nation. “With each passing day we increase production which will have benefits for both the national economy and also the people’s livelihood,” he explained.⁵⁰

As a result, Jin sought to spearhead mineral production in the province and oversee it with a new, centralized administrative structure. There were two primary ore sites that Jin set his sites on: the Yutian and Qiemo gold fields in southern Xinjiang which had first attracted the attention of Qing officials in Beijing in the early 1880s and the less well developed but potentially far more lucrative gold resources present in the area of Altai in Xinjiang’s far north. The case of Altai highlighted Jin’s attempts to centralize direct control over the province’s mineral wealth as provincial officials sought to re-establish more direct oversight over mining in the region. The plan was to set up a “Gold Taxation Office” (*Jinkeju*) which would be overseen by a local official responsible whose responsibilities included the oversight of miners, collecting the gold being produced, and providing the food, shelter, wages and equipment needed to keep laborers on the job. While previous operations had required miners to pay only a certain nominal tax (usually three or four gold *fēn*) above which the rest could be kept by the miner himself or else by local investors, under Jin’s system, all of the gold being produced was flowing directly into the local treasury.

⁴⁹ *ibid* 22

⁵⁰ *Xinjiang sheng zhengfu gongbao*, vol. 12 (Aug 1931) 102

One of the reasons that Jin's new system could work was the nature of labor in the region. Local officials in Yutian and Qiemo tended to simply recruit local off-season agricultural laborers to work the veins in the area. In the case of Altai, however, the inability to find labor to work the gold veins in this region tucked away in Xinjiang's farthest northern corner proved to be a thorny problem. The large population of mostly nomadic Mongols and Kazaks in the area proved largely unwilling to work in the gold fields. As a result, Jin turned to a new population desperate for employment: refugees. Famine and a consequent growth in banditry in Gansu province in the late 1920s led to an outflow of refugees into Xinjiang. Jin estimated in a 1929 report that more than 10,000 refugees fled to Xinjiang in 1928 and 1929.⁵¹ Seeing an opportunity to kill two birds with one stone, he called on them to fill a critical labor gap and work the gold seams in Altai where they would be supported by salaries from the Gold Taxation Office. Jin estimated that the number of workers in the region doubled since he decided to use refugees as mining labor. Desperate for livelihood, these hard-luck former peasants streamed in to Altai and were willing to help Jin produce gold in exchange for governmental support.⁵²

In addition to refugee labor, he also made ends meet by drawing on the labor of soldiers who, like refugees, were dependent on the state for wages and were more easily compelled to hand over gold ore to local officials. In order to ensure future profits on gold production, Jin dispatched an official to Berlin to purchase the most up-to-date gold

⁵¹ “Wezi qingshi cha Xinshu Yutian Qiemo liangxian diju Kunlun zheng ganxian jingyan Yishan maifenzhi wujin gekuang” (MG 19, 10/15) Economic Affairs Collection: 17-24-61-001-01, (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.) 27

⁵² *ibid*

mining equipment from the engineering company Siemens and expected to begin massively increasing gold production with it in the spring of 1931.⁵³

Jin also saw an opportunity to raise revenues and balance the provincial books by focusing on taxing trade, another source of revenue unused by Governor Yang. For much of his tenure as governor, Yang Zengxin's hands had been tied by the tax exemptions included in the 1881 Treaty of St. Petersburg. As a result, Yang sought to balance the provincial books by relying on the age old strategy of land reclamation and the elimination of corruption at the local level (see Chapter 2). Jin, on the other hand, made the surprising choice of cutting land taxes substantially with an eye toward garnering support from local agricultural producers in the predominately Muslim south. Land tax revenues fell by almost 70 percent from 1927 to 1928 from 1.36 million to 938,000 Chinese *yuan*.⁵⁴

Instead, Jin was able to generate provincial income through customs and excise tax receipts which were increasing alongside the growth in trade with the Soviet Union.⁵⁵ In what surely was the first time in Xinjiang's history, customs tax revenues outstripped land taxes in 1928, the first year of Jin's administration. From 1927 to 1928, customs taxes nearly doubled from 743,000 Chinese *yuan* to 1.26 million and excise taxes, which provincial officials began to levy on Soviet exports, increased by nearly 25 percent over

⁵³ Ibid

⁵⁴ Quoted in He, "Jin Shuren shiqi Xinjiang jingji yanjiu" 568.

⁵⁵ It is important to note, however, that even as Jin increased customs taxes, on imports and exports, the tax rates were relatively low compared to the national average in other provinces of the Republic of China. See: He, "Jin Shuren shiqi Xinjiang jingji yanjiu" 570

the same period.⁵⁶ Governor Jin was able to accomplish this important feat by exerting some measure of control over trade with the Soviet Union. While Yang had largely turned a blind eye toward the tenets of the 1920 trade “temporary” agreement, which had limited trade to the entrepot at Yili, Jin actively sought to increase revenues and centralize oversight by cracking down on the high tide of cross-border trade.

As far as Jin was concerned, the new oversight of Xinjiang-Soviet trade served to ensure the revenues of the provincial government and protect the interests of traders in the province. He replied to Soviet complaints about his aggressive attempts to control trade with sharp retorts which emphasized the fairness and ultimately the legality of Xinjiang’s new policies. In various reports, he and other government officials expressed their desire to re-exert control over cross-border trade and continually complained about their institutional disadvantages compared to Soviet traders. The problem, Jin noted was that while Soviet traders were operating under the aegis of centralized governmental owned trading companies, traders in Xinjiang were largely on their own. “The Soviet Union has a national trading policy, while our country has a trading policy made up of an assortment of individuals,” he wrote in a report. Jin went on to wonder, “Comparing the capital of an individual with that of a government, how can the Soviet Union not be fully in control?”⁵⁷ But Jin was no anti-Communist proto-Cold Warrior, and seemed in fact to be inspired by the Soviet example. He sought to strengthen the provincial government’s hand in trade and economic interaction.

⁵⁶ Quoted in: *ibid* 568

⁵⁷ “Sheng zhuxi Jin Shuren guanyu Tacheng zhongshang qingqiu zishe zhuanyun gongsi yi shi gei jiaoshezhu de xunling” (11/26/1928) in Xinjiang Weiwu’er zizhiqu dang’an guan, ed. *Xinjiang yu Su’E shangye maoyi dang’an shiliao* 244

Shortly after taking power Jin issued a report restating the terms of the 1920 treaty restricting trade to Yili and called for a crackdown. “Before completing a formal Sino-Soviet trade agreement, free trade within the borders of Xinjiang is not permitted,” Jin stated in a 1929 report. To hammer the point home, that same year, when provincial officials caught a Russian trader making an illegal purchase of 54,000 kilos of cotton in the eastern town of Turfan, the Xinjiang government was unwilling to simply let him off the hook. “We have irrefutable proof of the transaction. If we do not strictly punish him, how can we protect our sovereignty and our laws?” reads the provincial government report on the case. The report calls for local officials to take a hard line and seize the untaxed contraband: “Cotton makes up a large portion of our local products, we cannot allow traders to do whatever they like and freely seize it.”⁵⁸ In order to further increase revenues, local officials in the trading center of Yili notified their Soviet counterparts that excise taxes on Russian imports and exports would be doubled, increasing from 2.5 percent to 5 percent.

Soviet traders and officials responded with anger and frustration, complaining that the new tax and trading rules unfairly targeted them and in the end would result only in torpedoing Xinjiang-Soviet relations. “Xinjiang and the Soviet Union have common interests and commerce and economic development bolster diplomatic relations,” wrote the Soviet consul to Governor Jin. The strict enforcement of trade rules and the increase in taxes the consul argued, would result in an increase in the price of imports and a decline in purchasing in Xinjiang. “These rules truly can be said to be a testimonial to an

⁵⁸ Quoted in: Li, *Xinjiang dui Su (E) maoyishi*, 346

unfriendly attitude” and he added “are clearly different from the friendly relations we enjoyed before.”⁵⁹

Many merchants and local officials in Xinjiang felt cheered by Jin’s new hard-line extraction policy toward trade with the Soviet Union. The historical record is filled with calls for an even greater government control over trade in order to level the economic playing field. A local official in the border town of Tacheng noted that it was difficult for traders in Xinjiang to compete with the Soviets, considering the vast investments in trade that the Soviet government had been making since the 1917 revolution. The official called for a rapid centralization of government control over trade. In addition, Jin also received an assortment of hard-line proposals from local merchants and officials laying out the framework for a new trading framework with the heft needed to compete with the Soviet trade machine. Their proposals called for a state operated trading warehouse through which all goods must flow, the establishment of a monopoly on certain products like furs and pelts, the creation of a protective tariff, and the expansion of the trade monitoring apparatus. “When [a policy of heightened monitoring and taxation] is established, although the initial costs will be high, the revenues in the future will be even more substantial,” argued a local official in Tacheng. It will, he said, “be like giving bricks in exchange for jade.”⁶⁰

⁵⁹ “Sheng zhuxi Jin Shuren guanyu Su-Xin maoyishi gei jiaoshezhu de xunling” (10/6/1928) in Xinjiang Weiwu’er zizhiqu dang’an guan, ed. *Xinjiang yu Su’E shangye maoyi dang’an shiliao* 237

⁶⁰ “Sheng zhuxi Jin Shuren guanyu dizhi Sulian shangwu shi gei jiaoshezhu de xunling” (11/26/1928) in Xinjiang Weiwu’er zizhiqu dang’an guan, ed. *Xinjiang yu Su’E shangye maoyi dang’an shiliao* 246

Jin's attempts to centralize control over trade with the Soviet Union did increase governmental revenues and at least in the short-term, helped partially subsidize the costs of military expansion. There was a cost, however. Despite the protestations of Soviet officials and merchants, Jin's trading policy did not lead to a decline in trade, in fact the total volume of trade from 1928 to 1929 increased by 5 million *rubles* with Russian imports alone increasing by more than 6 million. If anything, the Soviet hold over Xinjiang's economy seemed to be increasing alongside the swell of cheap manufactured products. Despite Jin's best efforts to control the flow of foreign capital, the Soviet Union set up semi-secret banks in consular offices capable of wiring money, set up illegal state-financed trading companies, through merchant collusion set artificially low prices for Xinjiang's local products, and set up illegal commercial organizations. As Jin complained in late 1928, "everywhere they trample our rights and make off with our financial resources."⁶¹

As he began to ponder the question of whether or not he was sacrificing Xinjiang's autonomy for an increase in customs and excise tax revenues, the news in 1929 that the Soviet Union had sought to forcibly snatch control over the China Eastern Railroad in Manchuria reached the province. The so-called "Zhongdong Railroad Incident" in July 1929 seemed to confirm Jin's worst fears about the Soviet Union's long-term intentions to control border areas of China and spawned a drastic shift in policy to confront what he referred to in late 1929 as "the Soviet secret plot with intentions to control" Xinjiang.⁶² The Xinjiang provincial government began rethinking the cozy but

⁶¹ Li, *Xinjiang dui Su (E) maoyishi* 362

⁶² *ibid* 367

unequal economic relationship with their neighbor to the west and began cracking down much more heavily on Soviet commercial entities in the province. Local merchants and officials who had been pushing for a hardline stance against Russian trade since the mid-1920s now found a sympathetic ear in the provincial capital. A radical proposal from a merchant in Altai which called for a full ban on Soviet imports even reached Jin's desk in 1930.

Jin was not yet willing to confront the full might of the Soviet Union, however, and instead chose to operate behind the diplomatic cover of the 1920 "temporary" trade protocol.⁶³ Referencing the illegality of Soviet entities outside of the trade entrepot of Yili, Jin proclaimed in March 1930 that "transport and trading companies are squatting on our land and exploiting our profits."⁶⁴ He undertook an aggressive campaign of shuttering Soviet trading companies in the border towns of Kashgar, Tacheng, and Altai.⁶⁵ For the first time since the initial signing of the temporary trade agreement in 1920, the influx of Soviet goods declined in 1929, falling by nearly 1 million rubles from

⁶³ "Jiaoshezhu zhuzhang Chen Jishan guanyu heyi jinyun Suliang wuyi zhi huo ji tichang tuhuo, fazhan nongye dengqing gei sheng zhuxi Jin Shuren de chengwen" (4/1930) in Xinjiang Weiwu'er zizhiqu dang'an guan, ed. *Xinjiang yu Su'E shangye maoyi dang'an shiliao* 276

⁶⁴ "Tacheng shanghai huizhang Song Zhizhang guanyu Sumao gongsi zai Ta she pushouhuo shi gei sheng zhuxi Jin Shuren de daidian" (3/24/1931) in Xinjiang Weiwu'er zizhiqu dang'an guan, ed. *Xinjiang yu Su'E shangye maoyi dang'an shiliao* 281

⁶⁵ *ibid*, See also: "Sheng zhuxi Jin Shuren guanyu qudi Su zai Tacheng she pushouhuo yian gei Tacheng xingzhengzhang de xunling" (4/8/1931) in Xinjiang Weiwu'er zizhiqu dang'an guan, ed. *Xinjiang yu Su'E shangye maoyi dang'an shiliao* 282; "Sheng zhuxi Jin Shuren guanyu Ashan diqu Zhongshang ti Sushang dai mai huowu yian gei waijiao banshichu de xunling" (5/13/1931) in Xinjiang Weiwu'er zizhiqu dang'an guan, ed. *Xinjiang yu Su'E shangye maoyi dang'an shiliao* 284

1928.⁶⁶ The prospect of a full turn away from the Soviet Union, was a troubling issue for Jin. While he may have feared annexation and economic servitude at the hands of Soviet economic planners, he also knew that his financial ledgers were fully dependent on a steady flow of customs and excise tax revenues, the bulk of which were being collected from their western neighbor.

Local officials and merchants sought to persuade Jin that big profits and financial solvency were just around the corner if they could simply cut out the Soviet middlemen, who were seen buying Xinjiang's products like furs at low prices and then selling them in European markets for large profits. The province's local products "in England, Germany, France and other countries have prices three times higher than in Xinjiang itself," one report to the provincial governor claimed. The report called on Jin to seize the opportunity of forming an import-export company with the capital needed to enter these markets themselves.⁶⁷ While surely the prospect of the vast riches of these markets located 3,000 miles away on the other side of the world attracted him, Jin also understood Xinjiang's geographical position, crammed as it was between the Soviet Union to the west and the Chinese nation to the east. A turn away from one necessitated a turn toward the other. As Jin noted in a 1929 report, "To resist the import of foreign products you must increase imports from the internal provinces [China-proper] into Xinjiang."⁶⁸

⁶⁶ See: He, "Jin Shuren shiqi Xinjiang jingji yanjiu" 584

⁶⁷ "Dihua Jixiangtong shangxing jingli Hu Saiyin jiu yu Su maoyi ying yi xianjin jiaoyi weizhu yiji yu Dihua sheli yanghuo shuru zonggongsi dengshiyi gei waijiao banshichu de bingwen" (6/6/1931) in Xinjiang Weiwu'er zizhiqu dang'an guan, ed. *Xinjiang yu Su'E shangye maoyi dang'an shiliao Xinjiang yu Su'E shangye maoyi dang'an shiliao* 294

⁶⁸ *Xinjiang sheng zhengfu gongbao*, vol. 9 (December 1930) 92

After 1929, in a major reversal of Yang's long-held policy of holding China at arms length, Jin actively courted trade with China-proper. He sought to underwrite a massive campaign of infrastructural and institutional development in order to solidify links to the east and replace tax revenues on Soviet imports with taxes on goods coming from China-proper. As noted above, Yang's decision to construct the Dihua-Tacheng auto road in 1927 reflected his acknowledgment of the Soviet role in Xinjiang's economy. Similarly, Jin's decision to underwrite the substantial cost of surveying and paving an auto road connecting the capital of Dihua to the town of Gucheng (modern-day Qitai) in eastern Xinjiang in 1929, reveals his interest in firming up trade links to China-proper.⁶⁹ In a telegram to the China's Control Bureau (*xingzhengyuan*) in Nanjing, Jin laid out a construction plan which relied on soldiers for construction, and the purchase of four steam-rollers in Germany to pave the road. The road, which it was estimated would cost 500,000 provincial *taels*, ended up costing 2 million and after beginning construction in 1929 was finally completed in 1931.⁷⁰ Further solidifying the connections to markets in the east, the Gucheng road was extended south through Turfan to the town of Hami and ended at the Xingxingxia pass on the border with Gansu province to the east.

The shift underway in Xinjiang must have been music to the ears of officials in the new capital of the Chinese Republic in Nanjing. The 1927 "Northern Expedition" undertaken by Sun Yatsen's political heir Chiang Kaishek and the Guomindang Party (GMD) heralded a new era in China-proper, and the founding of the new national capital

⁶⁹ Gucheng was a caravan hub that had long-linked Xinjiang to China-proper through the town of Suiyuan located in Inner Mongolia which was the western terminus of the Beijing-Suiyuan rail line

⁷⁰ *Xinjiang gonglu jiaotongshi*, vol. 1 (Beijing, Renmin jiaotong chubanshe 1992) 16

in Nanjing seemed to augur the end of decentralized warlord control that had characterized much of the period since the 1911 revolution. “The Nanjing Decade” which began in 1927 and ended with the Japanese invasion in 1937 is typically held up as a period of centralized bureaucratic control of China. Following in the footsteps of Sun Yatsen, GMD leaders hoped to re-exert control over wayward provinces like Xinjiang and extract their resources for use in ambitious industrialization plans. Jin’s proclamation that “railroads in the strong nations of England, France, America and Japan spread out like a spider web facilitating communication,” made with reference to the need for greater transportation infrastructure linking Xinjiang to the rest of China in December of 1930 could just as easily have been uttered by countless state-builders peppered throughout any number of government offices in Nanjing. It appeared that Xinjiang, led by the new policy approach of Jin was primed to seamlessly drift back into the fold and would be bringing higher national revenues back with it. As one consular official stationed in the Soviet city of *Semirechye* hopefully pointed out, “resisting Soviet economic occupation [of Xinjiang] and increasing revenues into the National Treasury can be accomplished together.”⁷¹

The support for the program in Nanjing and Xinjiang’s provincial capital of Dihua facilitated the process of firming up these linkages, and officials in China-proper spearheaded a campaign to begin opening a trade conduit to China. In a 1930 report to the government in Nanjing, the governor of Suiyuan Li Peiji pushed a plan to open a cart

⁷¹ “Sheng zhuxi Jin Shuren guanyu Xinjiang zhu Ximi lingshi Mouweitong tiqing dizhi Su jingji qinlue zhengce yian gei waijiao banshichu de miling” (5/23/1931) in Xinjiang Weiwu’er zizhiqu dang’an guan, ed. *Xinjiang yu Su’E shangye maoyi dang’an shiliao Xinjiang yu Su’E shangye maoyi dang’an shiliao* 289

road across the Inner Mongolia grasslands, the wastes of Ningxia and Gansu and into Xinjiang. Li noted, “Now there is a desperate need to open the profits of the northwest and develop the national commercial economy, we plan to quickly complete the Suiyuan-Xinjiang auto road in order to improve transport.”⁷² From the other side in Xinjiang, Jin dispatched representatives to Tianjin to purchase nine trucks that could ply the route and would be able to ship approximately 500 pounds of goods per trip.

Despite their enthusiasm for integration, when it came to paving the long road across north China, which would substantially increase trade and transport over a tamped earth road by cutting down on repairs and allowing for year round operation, GMD officials were less than willing to open their wallets. A few years later, surveyors would estimate that the cost of constructing such a road would run nearly 3 million Chinese *yuan*.⁷³ “Because the finances of the central government are impoverished, we ask that the costs of the road be covered by those provinces through which the road travels,” declared the Ministry of Railroads in September 1931. Jin’s terse reply, “we ask that the Ministry draw up a concrete plan for how to do this” reflects his own financial uncertainty and foreshadowed a gloomy future for Sino-Xinjiang connections.⁷⁴ Unable and unwilling to underwrite the costs of constructing transport connections to the east that could compete with the Turk-Sib Railroad on the Soviet side of the border, the total volume of trade with China remained relatively flat.

⁷² Zhu Jin, “Qingmo minchu caoyuan shanglu yanjiu” in *Xinjiang jinxiandai jingji yanjiu wenji* (Urumqi: Xinjiang daxue chubanshe, 2002) 498

⁷³ You Yinzhao, *Sui-Xin kanlu baogao yijuan* (Nanjing: Jingji Yanjiushi Bianyi 1936) 422, 424

⁷⁴ Quoted in: *Xinjiang gonglu jiaotongshi* 23

Drifting into the Soviet Orbit

Jin's aggressive approach to administration in the province did indeed allow him to exert greater control over Xinjiang's natural resource wealth, from furs and pelts to gold. He was successful in creating a new network of mostly unpaved highways linking much of northern Xinjiang and he was able to exert a heavy degree of control over local populations. But the ultimate outcome seems to suggest that Jin overreached in his attempts to create a modern, centralized state in Xinjiang. When he sought to establish a claim to the land tax revenues of the hereditary King of Hami Shah Masud, who died in 1930 and whose predecessors had enjoyed a certain degree of autonomy since the Qing period, the local Uighur Muslim population rose up in full rebellion. Taking advantage of the unrest in this corner of eastern Xinjiang, a young ambitious ethnically Muslim (Hui) general Ma Zhongying marched from his home base in Gansu into Xinjiang determined to overthrow Jin and install himself at the head of the province. To hold off this new challenge to his rule, Jin was forced to make some quick calculations. He realized quickly that he needed a patron and the new Chinese Republic was in no position to offer him the help he needed.

Jin decided in 1931 to abandon his attempts to make Xinjiang financially self-sufficient and throw himself into the arms of the Soviet Union. Jin's failed attempts at centralization effectively ended any belief in the ability of Xinjiang to exist as a cohesive, centrally administered, fully self-sufficient economic entity. Justifying his economic choices in a 1933 article published in the newspaper the *Central Daily*, more than two decades after the ending of interprovincial assistance payments to the province, Jin

blamed the ending of annual interprovincial assistance payments two decades previously for the on-going problems faced by leaders in Xinjiang.⁷⁵ One must certainly take Jin's self-serving defense with a large grain of salt, but his point has largely been born out in the historical record. The implication was that the province simply could not exist as a centralized, autonomous entity. Xinjiang could only survive with financial supported from an outside power, be it China, the Soviet Union, or less plausibly Britain. While a handful of groups would issue the highly attractive battle cry of independence for Xinjiang as a way of gaining support over the next twenty years, these movements would either be regionally based in the more productive south, or else would be bankrolled by powerful neighbors to the west and later the east. The era of Xinjiang's autonomy which had been orchestrated by Yang, and which Jin had doubled down on in the late 1920s, was inexorably coming to a close.

The short-term problem for Jin Shuren was to find a way to import the weapons and equipment needed to crush the rebellion and ensure his own position within the province. In the past, seeking a way to offset Soviet power, Jin had turned to the British to provide weapons. In 1929, he purchased 4,000 machine guns and 4 million bullets from the British consulate in the southern town of Kashgar.⁷⁶ Later, Jin hoped that Germany might be able to provide the weapons needed and dispatched the future leader of the province Burhan Shahidi (Bao'erhan) to Berlin to establish connections with

⁷⁵ Quoted in: Zhang, *Xinjiang fengbao qishinian* 2896

⁷⁶ Andrew D. W. Forbes, *Warlords and Muslims in Chinese Central Asia: a political history of Republican Sinkiang, 1911-1949* (New York: Cambridge University press, 1986) 70

manufacturers.⁷⁷ Yet, no one could come up with the amounts of weapons needed to fortify Xinjiang. With the road through eastern Xinjiang cut by the insurrection in 1931, the Nanjing government was unable, and also perhaps unwilling, to provide Jin with the guns, airplanes, and artillery he so desperately sought. Out of desperation he turned back to the Soviet Union.

In August 1931 the Xinjiang provincial government ordered the Chinese consul stationed in the Soviet city of Semipalatinsk to contact his Soviet counterparts about the possibility of purchasing weapons and allowing third party imports of weapons and equipment through Soviet territory. Soviet archival sources report that requests had been received for the purchase of military aircraft as early as August 5.⁷⁸ Knowing the desire of Soviet officials to improve access to Xinjiang's natural resources and to reduce the barriers to trade, officials in the Xinjiang provincial government held up the prospect of new negotiations to the 1920 "temporary" treaty as an incentive. A September 1931 communication to the Soviet representative of the Ministry of Foreign Affairs in Dihua, revealed the stark shift in Jin's policy and laid out his new desire to re-establish a close, working economic relationship with Xinjiang's neighbor to the west. This relationship would be predicated on the rapid sale of massive amounts of military hardware including military aircraft to the provincial government. If the Soviets were worried that they would get nothing out of the bargain, Jin sought to assuage them, offering a cryptic,

⁷⁷ Baoerhan (Burhan Shahidi) *Xinjiang wushinian* (Beijing: Wenshi ziliao chubanshe, 1984) 126, 160

⁷⁸ Translated Russian archival source, "Lian'gong (bu) zhongyang zhengzhiju huiyi di 54 hao jilu: Xinjiang he Zhongdong tielu" (8/5/1931) Reprinted in: Shen Zhihua, ed. *Eguo jiemi dangan: Xinjiang wenti* (Unpublished manuscript) 1

open-ended offer of compensation: “in the future we will provide an equivalent amount of assistance.”⁷⁹ After wrangling over the tenets of the original “temporary” trade accord of 1920 for more than a decade without being able to arrive at a more permanent agreement, within a month after opening negotiations with the Soviet representatives in September 1931, Jin signed off on a new agreement that drastically transformed the economic relationship between the putative province of China and the Soviet Union.

The agreement, which was signed on October 1, 1931, opened up trade substantially and reversed Jin’s policy of holding the Soviets at arms length. The agreement opened three new cross-border trading sites, mandated that the government could offer no restriction whatsoever on the trade and transport of Xinjiang’s resources with Soviet buyers, limited the amount of customs taxes that could be levied on cross-border trade, and also allowed traders to open new trading organizations and trade without restrictions in Kashgar, Yili, Tacheng, Altai, and Dihua instead of simply restricting trade to Yili. In exchange, Xinjiang received a pledge to consider sending Soviet experts to the province and the permission to use Soviet territory to ship goods into and out of the province. Perhaps most importantly for Jin, the agreement seemed to repair tensions in Xinjiang-Soviet relations and appeared to open the door for the sale of weapons to the province.

The “Temporary Trade Agreement” as the 1931 accord was known, was not revealed to GMD officials in Nanjing and neither was it announced to interested parties inside the province. Indeed, according to scholars, some departments within the

⁷⁹ “Waijiao tepaiyuan Chen Jishan wei qing Sufang jiang junshi shiye zhizaopin maigei Xinsheng yishi zhi Su waijiao tepaiyuan Silawucike de han” (9/1931) in Xinjiang Weiwu’er zizhiqu dang’an guan, ed. *Xinjiang yu Su’E shangye maoyi dang’an shiliao Xinjiang yu Su’E shangye maoyi dang’an shiliao* 302

provincial government were not even informed of its existence until much later.⁸⁰

According to Soviet archival sources, Soviet officials explicitly agreed to not publicize the agreement. “This agreement must be considered confidential,” wrote one Soviet official to his superiors in the Ministry of Foreign Affairs.⁸¹ The reason for the secrecy was that Jin was well aware of the potential for backlash in Nanjing, but also among some of his most ardent supporters within the province. The merchant community had long been an important source of support for Yang and for Jin, and had wildly cheered Jin’s enforcement of hard-line policies toward the Soviet Union in the period immediately following the Zhongdong Incident. Jin knew that the 1931 accord would be a difficult pill for them to swallow, but his need to import weapons trumped his need to firm up his political and economic base in the province.

The result was a complex dance as Jin sought to abide by the new trade freedom enjoyed by Soviet traders under the agreement and also pander to the province’s merchant community and local officials who were increasingly frustrated with the dramatic increase in Soviet traders in local areas. In a 1932 joint report sent to the provincial government by ten of the most prominent commercial firms in the province, merchants complained about the growing prominence of the Soviet Union in areas once sealed off from trade. “Recent investigations have found that Soviet traders are willfully and freely penetrating into local villages to trade, if we do not aggressively forbid this, in the future it will be detrimental for local officials and for the people,” they wrote.⁸²

⁸⁰ Li, *Xinjiang dui Su (E) maoyishi* 375

⁸¹ Barmin, *SSSR i Sin'tszian* 96

Unable to inform them of the reason for the increasing prominence of Soviet traders, Jin lamely urged merchants to work collectively, improve their products, and lower prices in order to be able to economically compete.⁸³ At the same time, he also pressed his Soviet counterparts to operate less aggressively in the province so as not to completely alienate Xinjiang's merchant community.⁸⁴

The desperation for military hardware was at the center of Jin's willingness to risk his relationship with his most important supporters in the province. In November of 1931, Jin received two military planes from the Soviet Union, in exchange for an equivalent value in wool, camel hair, marmot pelts, and fox and wolf fur. After these initial purchases, provincial officials offered a long laundry list of military equipment that they hoped to purchase and readied 15,000 *pood* of processed wool and other products in Yili to exchange for weapons. But Soviet officials seemed hesitant to produce all of the weapons desired and when the initial April 15, 1932 deadline of delivery ticked by, Jin and his officials began to worry. After sending a series of self-righteous and later flattering communiqués to their Soviet counterparts, they returned to the negotiation table, hoping to open the flow of weapons sales more completely. To do so, they were willing

⁸² Quoted in Li, *Xinjiang dui Su (E) maoyishi* 381

⁸³ *ibid*; See also "Sheng zhuxi Jin Shuren guanyu Sufang shanlan shangquan Zhongmin da shouqi hai dengqing gei waijiao banshichu de xunling" (5/16/1932) in Xinjiang Weiwu'er zizhiqu dang'an guan, ed. *Xinjiang yu Su'E shangye maoyi dang'an shiliao Xinjiang yu Su'E shangye maoyi dang'an shiliao* 339. Later, during the wartime period, these merchants who continually sought to stem the tide of Soviet economic power in the region were aggressively demonized as "Japanese spies" by the governor Sheng Shicai. See: Translated Soviet archival source, "Shidalin deng yu Sheng Shicai tanhua jilu: Zhong-Su guanxi" (9/2/1938) Reprinted in: Shen, ed. *Eguo jiemi dang'an: Xinjiang wenti* 62

⁸⁴ *ibid*

to sign away even more for it, as the Soviet Union demanded increased prices for the weapons. In the short term at least it worked, and Soviet sources note that new weapons were flowing into Jin's hands by 1932, including eight more aircraft, a number of heavy aerial bombs, and bullets.⁸⁵

Politically, the uprising represented a severe challenge to Jin's administration of the province, but his attempts to put a lid on the uprising by crushing it with superior military force quickly pushed the province deep into the fiscal red. From 1930 to 1931, military expenditures nearly doubled from 22 million to 38 million Chinese *yuan* and military expenses increased by another nearly 2 million by 1932. Having been unable to increase revenues to any substantial degree in the first two years of his administration of the province, the provincial deficit exploded as well, increasing from 26 million *yuan* in 1930 to nearly 43 million in 1931.⁸⁶ The uprising itself served to decrease revenues substantially, as land taxes and trade also declined.

Unable to stem the tide of rebellion, Jin pushed for greater and greater purchases of military equipment from the Soviet Union, leading to an influx of arms that would outlast his tenure in office. To make up the difference and purchase the equipment he needed to crush his enemies and keep himself in power, Jin turned back to the printing press and undertook an aggressive money printing campaign. While the value of Xinjiang's provincial currency had been in a 1:4 rate of exchange with the Chinese *yuan* from 1929-1930, from 1931 on, the value of provincial notes dropped again, plunging to

⁸⁵ Translated Soviet archival source, "Liangong (bu) zhongyang zhengzhiju huiyi di 143 hao jilu: Xinjiang gongzuo" (8/15/1933) Reprinted in: *Eguo jiemi dangan: Xinjiang wenti*, 11-13

⁸⁶ He, "Jin Shuren shiqi Xinjiang jingji yanjiu" 571

60 to 1 the next year. The desperate printing campaign resulted in a mass of notes which one newspaper report points out were not even uniform in size, print type, or paper quality, which only served to press down confidence in provincial currency even farther.⁸⁷ Not surprisingly, from 1930 to 1933 the price of rice in Xinjiang's local markets was said to have increased by 44 times. As the *Dagong Bao* newspaper based in the city of Tianjin reported, "the decline in the value of notes cannot be stopped" and the result was widespread hoarding as the province teetered on the edge of financial collapse.⁸⁸

In September 1932, nearly a year after signing the 1931 agreement, Jin informed the Nanjing government of the trade accord.⁸⁹ It was quickly denounced by GMD officials and any shred of hope that Jin might have held that the government in Nanjing might ride to his aid evaporated overnight. In 1933 Jin, pressed on all sides, fled the province. But his successor Sheng Shicai who came to power in April 1933, was faced with the choice of either meekly stepping down and facing the wrath of growing opposition or else turning to the Soviet Union for even more direct support, for which he would surely be forced to pay a heavy price.

Soviet officials were divided on the question of whether to support the Han Chinese administration of the province or to support what some were suggesting were the

⁸⁷ Quoted in: Zhang, *Xinjiang Fengbao Qishinian* 2895

⁸⁸ He, "Jin Shuren shiqi Xinjiang jingji yanjiu" 594

⁸⁹ "Xin-Su linshi tongshang xieding de youlai ji qi tiaowen jieze" (9/6/1932) in Xinjiang Weiwu'er zizhiqu dang'an guan, ed. *Xinjiang yu Su'E shangye maoyi dang'an shiliao Xinjiang yu Su'E shangye maoyi dang'an shiliao* 380

forces of Turkic-Muslim based “revolution” in Xinjiang.⁹⁰ While many officials supporting the uprising were familiar with the situation on the ground and understood the growing ethnic and economic tensions in the province, for *real politik* politicians in Moscow, supporting the movement appeared to be a risky policy choice. The uprising smacked of the pan-Turkic and pan-Muslim ideals held by the *basmachi* guerrilla forces who had terrorized the Soviet administration of Soviet Central Asia well into the 1920s. To make matters worse, the uprising also appeared to potentially have foreign support. Soviet officials noted that the movement’s embrace of ideals of racial independence and an anti-imperialist rhetoric embraced by the virulently anti-Soviet Japanese Empire in newly established Manchukuo, seemed to suggest Japanese support for the uprising. Other rumors were flying about the possibility that the movement had British support particularly in areas of southern Xinjiang closest to India.

Perhaps most importantly, the uprising appeared to threaten the Soviet Union’s hard-fought economic interests in the region. As one official based in Uzbekistan pointed out in a report, the uprising “threatens our raw material bases in neighboring countries to the east.” Also noting that “Xinjiang is one of the most important commodity markets for our industry,” the official concluded by saying that the uprising “undermines the long period of relative stability in Xinjiang and we have interests in maintaining the status quo.”⁹¹ Assessing the chaos sweeping across Xinjiang in an August 3, 1933 meeting of the Central Political Office of the Soviet Union, Soviet officials made a definitive

⁹⁰ Translated Soviet archival source, “Duoerfu guanyu Xinjaing nongmin yundong qingkuang gei Maliyaer de baogao” (9/18/1931) Reprinted in: *Eguo jiemi dangan: Xinjiang wenti* 1-2; See also: Barmin, *SSSR i Sin’tszian*, 108

⁹¹ Barmin, *SSSR i Sin’tszian* 106-107

assessment about the situation. First and foremost in internal party documents, they proclaimed that “the slogan and policy of separating Xinjiang from China is not desirable.”⁹² To carry out this approach, they re-opened the spigot of Soviet aid shipments into the province.

After its slow start in 1931 with the import of two planes and a smattering of bullets, after Sheng Shicai assumed power, Soviet guns, trucks, jet fuel, and precious Soviet gasoline were flowing at a substantial clip into the province. Oil in particular was needed, as one report pointed out, “the province has a desperate need for the import of jet fuel and gasoline.”⁹³ According to archival records kept in the Xinjiang Uighur Autonomous Region archives, the first eighteen truck convoy, each truck filled to the brim with oil needed to ship troops to the front and keep planes in the air, was checked in at the border crossing outside the town of Tacheng and cleared for entry into the province on July 11, 1933. Throughout the late summer and fall of 1933 trucks continued to deliver the material and weapons needed to keep the new governor Sheng Shicai in power.⁹⁴

There was a price for Soviet generosity, however, as the shipments were not charity. In exchange for the support, Xinjiang’s already meager wealth began to hemorrhage out of the province’s northern border crossings of Tacheng and Yili. The

⁹² Translated Soviet archival source: “Liangong (bu) zhongyang zhengzhiju huiyi di 6 hao jilu: Xinjiang wenti” (5/4/1934) Reprinted in: *Eguo jiemi dangan: Xinjiang wenti* 23

⁹³ No title (MG 22, 2/30) Republican Collection: file number: 2-3-838 (Xinjiang Uighur Autonomous Region Archive, Urumqi, P.R.C.) 88-89

⁹⁴ No title (MG, 22, 7/11) Republican Collection: file number: 2-3-88 (Xinjiang Uighur Autonomous Region Archive, Urumqi, P.R.C.) 77

ground shook with the rumblings of horse carts, trucks and airplanes loaded down with wool, furs, silver ingots and gold dust all bound for Russian representatives overseeing the transactions. The archival record for 1933 is filled with log books and reports about the arrival of these vehicles packed with gold and silver in airfields and trucking depots in the border town of Tacheng in particular. In one case, 20,000 *pood* of furs were shipped to the Soviet border in payment for oil shipments.⁹⁵ The largest recorded shipment of 3,800 ounces (more than 230 pounds) of gold was delivered to Tacheng where it was turned over to Soviet representatives.⁹⁶ Additional deliveries beginning in June of 1933 and continuing into December in smaller increments of between 300 and 400 ounces of gold and larger amounts of silver made for a steady stream of Xinjiang wealth flowing out of the province. A September 21, 1933 letter from a Soviet bank to the provincial government, confirms that 66 total deposits were made that year by the Xinjiang government's representative Kong Qingde.⁹⁷

In January 1934, the new governor Sheng Shicai who was approved by the Nanjing as the new governor of Xinjiang the previous August, sent his Foreign Relations Office head Chen Deli to the Soviet Union asking for an even greater degree of military support to crush the on-going uprisings in the province. In response, two brigades of Soviet Red Army troops entered the province through the two northern border towns of

⁹⁵ No title (MG 22, 11/24) Republican Collection: file number 2-3-828 (Xinjiang Uighur Autonomous Region Archive, Urumqi, P.R.C.) 56

⁹⁶ No title (MG 22, 7/8) Republican Collection: file number 2-3-828 (Xinjiang Uighur Autonomous Region Archive, Urumqi, P.R.C.) 84

⁹⁷ No title (MG 22, 9/21) Republican Collection: file number 2-3-828 (Xinjiang Uighur Autonomous Region Archive, Urumqi, P.R.C.) 60-61

Yili and Tacheng. The troops dealt an initial blow to the forces of General Ma Zhongying who was one of the leaders against first Jin and later Sheng Shicai in February during a series of battles. Later that spring, Sheng's troops supported by the Red Army and a squadron of Soviet fighter planes administered a killing blow to the opposition. Again, however, there was a price to pay for Soviet support. While Sheng continued to pay his allegiance to the Nanjing government in word, in deed he drifted into the Soviet orbit. In January 1934 he was already making intimations about a new policy toward the Soviet Union and in an April 17 meeting of the Xinjiang Provincial Nationalities Representative Congress, he publically proclaimed the province's new policy of friendship with the Soviet Union.

The lip service paid to the Soviet Union by Governor Sheng paralleled a growing economic relationship between the two governments. Having aided in the "pacification" of the province, the Soviet Union began working closely with Sheng to remake Xinjiang and to restore it as the generator of raw materials that it had existed as for Soviet factories for much of the previous three decades. Soviet planners began drawing up new construction plans to improve transportation in not only areas along the border, but throughout the province; new trade targets were released which served to increase the volume of cross-border trade; new plans were unveiled to build massive oil storage units and a new modern power plant in Dihua; new outlines were drawn up for a series of joint mining enterprises in the province; and a large group of advisors and cadres were assembled in the Soviet Union to aid all facets of the administration of the province.

Perhaps most importantly, Stalin and the Soviet government on May 1935 approved a substantial 5 million gold *ruble* loan at only four percent interest to the

province. The loan, which would be repaid not in currency, but in commodity exports like wool, cotton, hides and furs, was intended to lay the foundation for a new financial solvency and centralized administration in the province. The next year, in October 1936, the provincial government announced the need for an additional infusion of funds. “Now Xinjiang is in an unusually difficult financial position, for example this year, fabric for military uniforms, all need to be bought from the Soviet Union, other commodities for various organs all need to be bought from the Soviets” read provincial government order number 7985. It went on, “For the purpose of putting our finances in order, we plan to ask the Soviet Union to disburse a loan of 2 million rubles, to be paid over five years and to be repaid in local products.”⁹⁸ An agreement for a loan of 2.5 million gold rubles was finalized the next year and was issued on January 27, 1937. The loans were the first bulk influx of currency into the province since the late Qing period and signified a shift in Xinjiang’s orientation that would last for the next eight years. Seeking to counter any criticism from Nanjing in a cable to Chiang Kaishek, Sheng sought to assure him that the loan “was only of a commercial nature and is in no way political,” and optimistically continued, “after this the border region will be wealthy and without poverty.”⁹⁹

Chiang Kaishek was not buying Sheng’s saccharine rhetoric and publicly responded to the events of 1934 with scorn. Chiang was quoted in a newspaper report as saying: “Not matter what country it is, not one soldier can be stationed in Xinjiang, not

⁹⁸ Quoted in: *Xinjiang tongzhi*, vol. 57 *Caizheng* (Urumqi: Xinjiang remin chubanshe, 1999) 124

⁹⁹ Shilue gaoben collection (7/18/1934) File: 002-060100-00084-003 (Academia Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C.)

one inch of land can be occupied by foreign powers, and even more not one government organ can disobey the an order from the central government [in Nanjing].”¹⁰⁰

Yet, Chiang’s nationalistic proclamations must have been hard for Sheng to stomach. The archival record reveals that before accepting Soviet *rubles*, on at least two occasions, Sheng begged the Nanjing government for financial assistance. In an April 29, 1934 telegram to Nanjing, he requested a loan of 2 million silver dollars to offset military costs, “I hope to recover land lost [in the uprising] in a short amount of time and reunite Xinjiang. After this is completed the entire amount will be returned.”¹⁰¹ After the Nanjing government ignored his urgent request, Sheng felt he had no choice but to turn to the Soviet Union. As he himself explained, “In a situation in which the central government could not give us any assistance, we firmly accepted the hand of friendship offered by a friendly nation, we did not sell one inch of our territory and this nation did not force any conditions on their assistance.”¹⁰²

Located more than 2,000 rugged miles to the west of Nanjing, Sheng Shicai could not have felt that he owed any more to Chiang’s government than the simple expression of allegiance that he had already offered. In December of 1934, the Executive Yuan of the GMD government, located in their cozy offices in Nanjing was putting together a new plan to gain access to the province’s rich natural resources. The plan, referred to as the

¹⁰⁰ Quoted in Zhang Junzhao, ed. *Minguo shiqi Xinjiang dashiji* (Urumqi: Xinjiang meishu sheying chubanshe 2003) 51

¹⁰¹ Quoted in Cai Jinsong, *Sheng Shicai zai Xinjiang* (Zhengzhou: Henan renmin chubanshe, 1987) 196

¹⁰² *ibid* 197

“Draft Outline for Construction Planning in Xinjiang” sought to improve the transport connections linking the province to China-proper, was ambitious in its scope. It called for a highway bisecting the province from east to west, the improvement of Xinjiang’s internal road network, and a new railroad line connecting Dihua to the capital of Gansu province to the east, Lanzhou. The plan, was big on dreams and short on financing, offering a vague financing plan that called for the “mobilization of the people in the provinces all along the line to work together cooperatively.”¹⁰³ It did not include a dime worth of aid from Nanjing to cover the 2.65 million *yuan* price tag for a fully integrated highway network and the 269 million *yuan* price tag for constructing a rail line.¹⁰⁴ The fact was that the Nanjing government had offered nothing to compel Xinjiang’s government to establish a closer relationship with the center. In 1934, the same year that the Nanjing government had put out its largely tooth-less “Draft Outline,” the provincial government set up a “Dihua-Tacheng Long Distance Automobile Road Planning Office.” The office invited in 26 surveyors from the Soviet Union who undertook a four month survey of the route which ended at Xinjiang’s western border with the Soviet Union.¹⁰⁵

The Nanjing government offered the government of Xinjiang nothing but political machinations and infighting. Indeed, the government chose to support the forces of Ma Zhongying and those of Sheng simultaneously, pitting them against each other and hoping to reap the benefits no matter who rose to power. The Soviet Union on the other hand, despite being involved in the messy political negotiations, also offered precious

¹⁰³ Quoted in *Xinjiang gonglu jiaotongshi* 31

¹⁰⁴ You, *Sui-Xin kanlu baogao yijiuan* 422, 424

¹⁰⁵ Quoted in *Xinjiang gonglu jiaotongshi* 31

military aid, financial assistance, and on-going technical help for the foreseeable future. Having already understood the need for outside assistance in order to maintain a centralized administration in the province, a conclusion which Jin Shuren came to understand and which Sheng also embraced, the orientation toward the Soviet Union made perfect sense. Whether he admitted it publically or not, Chiang Kaishek also understood this calculation and in a private conversation with a Soviet official about the 5 million ruble loan to Xinjiang, Chiang noted that he “ had no objection to the loan provided that it is used for the economic reconstruction of the province.”¹⁰⁶ Chiang, obsessed with eliminating the nascent Chinese Communist Party, had little excess revenue to shower on a poor, isolated border province like Xinjiang. For him, as long as provincial officials were willing to continue expressing their allegiance to the Republic and not be split off like Manchuria had only three years previous, he was willing to tolerate the shift. Indeed, he had no choice but to accept the changes underway in China’s far west.

Sketching Out a New Soviet Hinterland

Sheng found himself in a very precarious positions after coming to power. While he did enjoy the support of the powerful Soviet Red Army, Xinjiang’s provincial economy was in tatters following the multiple years of uprising and rebellion in the province. The large number of provincial notes issued by Jin Shuren in the last years of his administration were supplemented by a substantial number of notes being printed by Sheng throughout 1934. In a November 1934 report, Sheng himself pointed out that

¹⁰⁶ Barmin, *SSSR i Sin’ tshian* 139

while the value of provincial notes had held steady until the Spring of 1933, the fall of Jin Shuren and the subsequent unrest had led to an unprecedented decline in their value. The provincial notes dropped from an exchange rate of 1:3 or 1:4 against the silver dollar to 1:700. Sheng noted, “it can truly be said that the notes were flowing like running water.”¹⁰⁷ As in previous periods, the sharp decline in the value of notes led to skyrocketing prices and an epidemic of hoarding in the province. Compounding the problem, the years of unrest had led to a decline in Xinjiang’s precious arable land, dropping from 11 million *mu* in 1932 to less than 7 million in 1934. Similarly, the number and size of the flocks being tended by nomadic groups in the north, a key source of meat and wealth in the province, likewise declined with some scholars estimating that the number of livestock in the province dropped by 40 percent from 1931 to 1933.¹⁰⁸

For Soviet officials, it quickly became clear that if they wanted to retain Xinjiang as a source of raw materials they would have to import more than military hardware, gasoline and soldiers. In the summer of 1934, the Soviet Union imported 1,450 tons of wheat grown in Soviet Turkestan into Xinjiang. They also readied an additional 1,000 tons of grain for import in September and October if harvests were much lower than expected.¹⁰⁹ In addition to grain, Soviet trucks rumbling across the border carried substantial amounts of, sugar, tea and lamp oil, all intended to stabilize the province and set it back on a course toward productivity, if not wealth. In February of 1934, Soviet archival sources indicate that a shipment of 250 tons of sugar, 22 tons of brick tea, 50

¹⁰⁷ Quoted in Zhang, *Xinjiang fengbao qishinian* 3801

¹⁰⁸ Cai, *Sheng Shicai zai Xinjiang* 202

¹⁰⁹ Translated Soviet archival source: “Liangong (bu) zhongyang zhengzhiju huiyi di 8 hao jilu: Xinjiang wenti” (6/9/1934) Reprinted in: *Eguo jiemi dangan: Xinjiang wenti* 25

tons of kerosene, and 100 tons of rice were readied for import into Xinjiang.¹¹⁰ To undertake these shipments, a fleet of 70 trucks was readied for service in August 1934.¹¹¹

Material assistance was not the only thing that the Soviet Union provided. A tide of Soviet advisors fanned out through the government. While many of these advisors came offering assistance in how to use the military hardware being imported into the province, many others were charged with helping Sheng and his government back onto its feet. In a no-nonsense report, Soviet financial advisors called on Sheng to more clearly delineate revenues and expenditures in the province, firm up his control over currency printing and set firm specie and currency exchange rates, and increase tax revenues by eliminating corruption at the local level. Similar reports generated by the army of advisors sent to Xinjiang from 1934 to 1937 were sent out to help boost agricultural production, transportation development, and industrialization projects.¹¹²

The Soviet involvement in Xinjiang development was not undertaken out of altruism, and officials in the province were presented with a growing stack of bills for all Soviet activity in the province. Considering Xinjiang's historic lack of currency, a problem which would remain well into the 1950s, Stalin allowed, and in most cases encouraged, that the bills be repaid largely in kind. Soviet officials drew up detailed price

¹¹⁰ Translated Soviet archival source: "Liangong (bu) zhongyang zhengzhiju huiyi di 153 hao jilu: Xinjiang wenti" (2/10/1934) Reprinted in: *Eguo jiemi dangan: Xinjiang wenti* 18

¹¹¹ Translated Soviet archival source: "Liangong (bu) zhongyang zhengzhiju huiyi di 11 hao jilu: Chongjian Xinjiang jingji" (8/5/1934) Reprinted in *Eguo jiemi dangan: Xinjiang wenti* 31

¹¹² *ibid* 42

breakdowns on imports and exports, such that officials in Xinjiang knew that acquiring five tons of kerosene could be repaid with one ton of cotton or else fifty marmot pelts.¹¹³

The government funded and operated Prosperous Xinjiang Local Products Company (Yuxin Tuchan Gongsi) was established by Sheng in August, 1934 to give provincial officials relatively inexpensive access to local products. Begun with 500,000 Chinese *yuan* in capital, the company was based in the provincial capital but had eight additional branch offices scattered throughout the province. Considering the relatively high value of these furs, hides, wool, and cotton, Sheng and other officials saw the company as capable of generating substantial revenues for the fragile Xinjiang provincial treasury. After the first loan, however, the company began to operate as the primary channel through which Xinjiang's lucrative local products were funneled into the Soviet Union in order to pay off the loans. To facilitate commercial interaction, the company established a close working relationship with their Soviet counterpart in the Soviet-Xinjiang Trading Company.¹¹⁴

In order to maximize profits, special monopolies were set on furs, various skins, and animal parts and experienced local merchants and purchasers were dispatched to local communities to gain access to these products.¹¹⁵ Throughout the late 1930s, armed with government mandates, the company signed agreements with private merchants and bought up a substantial number of local companies in an effort to extend control over the

¹¹³ *ibid* 31

¹¹⁴ For more information on the company and its operations see Li, *Xinjiang dui Su (E) maoyishi* 432-464

¹¹⁵ Li, *Xinjiang dui Su (E) maoyishi* 448

province's natural resource wealth.¹¹⁶ The company's agents were able to gain access to local products from producers at bargain basement prices. According to archival sources from the town of Hami in eastern Xinjiang, the company was paying only one-quarter of the market price for sheep skins (five *jiao* versus two *yuan*). Sheep skins were surely not unique, and the low prices for which company officials purchased Xinjiang's local products virtually guaranteed profits for the company.¹¹⁷ Throughout this period, the operations of the company grew substantially and as a direct arm of the provincial government the low procurement costs gave Sheng and provincial officials a leg up in paying back the Soviet loans.

For Soviet officials the benefits of the new agreements with Sheng were not limited to the repayment of loans. Instead they appeared to have their eyes on a much longer term prize of re-establishing the province as an important provider of cheap raw materials and to transform it once and for all into an economic hinterland for the Soviet industrial machine. The Soviet activities in the region were undertaken specifically to kick start Xinjiang's cross-border trade and to restore its status as an important trading partner. In 1931, Xinjiang was the Soviet Union's ninth largest trading partner. When just examining trade with all of its non-European trading partners, including China, Mongolia, Persia, Afghanistan, and Egypt, Xinjiang alone was the fourth largest in 1931 and the third largest in 1932.¹¹⁸ Lengthy trading plans were drawn up in Moscow setting

¹¹⁶ *ibid* 460

¹¹⁷ "Guanyu junxu yang jianmao ji pi jiaoyu maosi huiqu huowu cong zhong jian li, qing cha jubao" (MG 29, 2/10) in *Mao Zemin yu Hami Caizheng* (Urumqi: Xinjiang Remin Chubanshe, 1993) 159-163

¹¹⁸ Zhang, *Xinjiang Fengbao Qishinian*

prices on Xinjiang's exports and regulating access to certain products. Increasingly Xinjiang loomed large in economic development planning for Soviet Central Asia.

Beginning as early as August 1933, Soviet policy reports on Xinjiang included lengthy addenda on plans to develop the transportation infrastructure connecting the province to Soviet territory. In order to supplement the Turk-Sib line running parallel to Xinjiang, a series of highway connections stretching across Soviet Turkestan were extended to the border with Xinjiang. A plan was unveiled in December of 1934 to extend transport connections from Tashkent to three border crossing points outside of Altai, Yili and Tacheng in northern Xinjiang using military labor, at a total price tag of 4 million *rubles*.¹¹⁹ The plans, were to be undertaken at top speed and would be completed by the end of 1935.¹²⁰ Further underscoring the transport connections, the Soviet Union oversaw the strengthening of riverine shipping, which allowed for the bulk import of goods into Xinjiang. In particular, they focused on the Irtysh and Yili Rivers which served as a critical trade entrepot into Altai in the far north and Yili in the west-central border area, respectively.¹²¹

In order to help facilitate trade on the Xinjiang side of the border, Soviet officials pressed their counterparts in the province to begin developing Xinjiang's internal transportation infrastructure. In the initial agreement laying out the 5 million *ruble* loan to Sheng, Soviet officials sought promises that more than half of the total amount of the

¹¹⁹ “Liangong (bu) zhongyang zhengzhiju huiyi di 11 hao jilu” 17

¹²⁰ *ibid* 29

¹²¹ “Liangong (bu) zhongyang zhengzhiju huiyi di 8 hao jilu” 24

loan – 2.8 million – be used to develop internal transportation infrastructure.¹²² Soviet officials urged Sheng to solidify the transport links connecting the province to Soviet border crossings. In particular, they called for a new Dihua to Yili road which was to cost more than 300 million *taels*, a road connecting Dihua to Kashgar, and a road connecting Dihua to Wusu which continued onto Tacheng in the north. Transportation infrastructural development was a central component of Sheng's First Three Year Plan for Xinjiang. The plan, which was sketched out with a Soviet-style Five Year Plan model in mind, and was undertaken with a substantial amount of Soviet technical assistance was set to begin in June 1937 and end in June 1940. It laid the framework for a road system connecting the provincial capital to all corners of the province.

The plans were set up with a 160 million provincial *tael* price tag. Fearing the high cost of road construction, Sheng Shicai sought to cut costs by undertaking construction with a heavily decentralized construction plan. While Jin Shuren had sought to centralize his control over all aspects of the province by relying on military labor and in doing so put enormous pressure on the provincial treasury, Sheng sought to rely on the efforts of local officials to underwrite the costs of construction and to draw on civilian *corvée* labor to undertake the arduous task of road building. The burden frequently fell on local merchants who were asked to contribute funds, food, and equipment and also on peasants drafted into labor teams. Both of these groups often felt overburdened by their obligations. A provincial official in 1936 overheard a conversation as his group took shelter from a summer rain storm in a small village in which a peasant complained that,

¹²² “Liangong (bu) zhongyang zhengzhiju huiyi di 8 hao jilu” 29

“road construction is a huge obligation, it occupies our fields and irrigation canals, and in the spring planting and fall harvesting season the Highway Office comes to grab peasants for laborers.”¹²³

Despite Sheng's attempts to cut costs, the actual cost for road and highway construction was massive. The amount spent on bridge construction in the province alone for the first three year plan was 3 billion provincial *taels*, an amount which exceeded the forecasted allocation by 46 percent.¹²⁴ Yet, encouraged by his Soviet advisors and eager to consolidate his hold over the province and to ensure that the fruits of Xinjiang were being accurately assessed by provincial officials, Sheng felt assured that the price tag was worth paying. Repairs and the extension of Xinjiang's nascent highway system were prioritized in Xinjiang's Second Three Year Plan, with provincial officials noting the important linkage between internal highway and road construction and the province's economic and cultural development.¹²⁵

Flush with loans and advice provided by Soviet advisors, Xinjiang drifted into the Soviet orbit and slowly but surely was transformed into a Soviet hinterland charged with providing the raw materials needed to fuel its industrial machine. For Stalin and Soviet officials they were enjoying the best of both worlds. They reaped the profits of their control over Xinjiang's politics and economy and presented Sheng Shicai and the people of Xinjiang with a bill of sale for their investment that could only be repaid with the

¹²³ No title (MG 25, 7/24) Republican Collection: file number 2-7-105 (Xinjiang Uighur Autonomous Region Archive, Urumqi, P.R.C.) 47-53.

¹²⁴ *Xinjiang gonglu jiaotongshi* 32

¹²⁵ Jianshe weiyuan hui, ed *Xinjiang er qi sannian jihua* (Dihua: Xinjiang ribao sheyin, 1941) 95

province's rich natural resource wealth. Xinjiang existed to feed Soviet factories with the wool, cotton, furs, and animal parts they needed to churn out light industrial products.

While Soviet officials expressed some interest in the province's rich mineral wealth and a growing number of geological surveying teams began pinpointing the province's mineral wealth (see Chapter four), they were not yet prepared to invest heavily in its extraction. One Soviet Ministry of Foreign Affairs report called for assisting Xinjiang's local tin mining industry in Xinjiang in exchange for shipments of ore, but during the mid-1930s the focus of Soviet policy makers was on goods like wool, furs, and cotton.¹²⁶ These products flowed into Soviet border stations in a steady stream throughout this period. The global mobilization for war in the late 1930s, however, shifted the perspective of Soviet officials in Moscow and also of Chinese officials in the wartime capital of Chongqing.

¹²⁶ "Liangong (bu) zhongyang zhengzhiju huiyi di 11 hao jilu" 29

Chapter 4: Behind Front Lines: Xinjiang and Wartime in China and the Soviet Union, 1937-1943

By 1937, Chiang Kaishek, Stalin, and Xinjiang's governor Sheng Shicai all maintained the point of view that the province was part of the Chinese Republic. Yet, there remained a tacit understanding that in fact the province was an integrated part of the Soviet Union's Central Asian hinterland. Xinjiang's natural resource wealth including wool, furs, gold, and animal parts flowed in a steady stream from the production centers in the province west across the border, to rail heads on the Turk-Sib rail line and to major industrial centers throughout the Soviet Union. In China, development plans continued to play lip service to more clearly integrating the northwest, but these plans lacked specifics and more often than not lacked the inclusion of Xinjiang completely.

For Chiang, who was struggling to exert his complete control over eastern and central China, the reintegration of the border province of Xinjiang was simply not a priority. The Japanese invasion of China and the outbreak of the Anti-Japanese War in August of 1937, however, forced the so-called "Xinjiang problem" to the top of Republican leaders' to do lists. Soviet leaders saw the Japanese advance as a threat to their own interests in Asia and quickly signed a series of agreements with China, offering military and industrial aid to support the embattled Republic of China. Xinjiang played a central role in these agreements, serving as a transport conduit linking China's wartime capital in Chongqing, deep in the rugged southwest, to the Soviet Union's industrial heartland. Much of the weapons, material, and oil used to hold off the Japanese in the first three years of the war came not from American pilots flying over the Himalayan

“hump” as popular American history has tended to emphasize, but from Soviet truck drivers making the long dusty drive across Xinjiang.

Yet, the outbreak of the war in Europe and the looming German invasion of the Soviet Union shifted the calculus of Soviet leaders. The largely chummy diplomatic relations that characterized the years from 1937 to 1941 collapsed in the face of the looming competition for necessary war materials. The flow of goods across Xinjiang stopped overnight. More importantly, the image of the province changed during wartime as well, as Soviet officials began to view it as a protected rear area, far removed from the German threat. At the same time, Soviet geological expeditions began to paint a picture of Xinjiang as a potential source for desperately needed war minerals like tin, tungsten, beryllium, and oil. Soviet leaders targeted Xinjiang for development in the early 1940s and began to invest substantial amounts of capital into mineral extraction campaigns in the province. They also sought to exert more direct control over the province’s ores. The downturn in Soviets fortunes in 1942 with the rapid advance of Hitler’s armies on the Baku oil fields in the Caucasus and on the capital of Moscow prompted a new shift, however, as the governor Sheng Shicai, witnessing a steep drop in Soviet aid payments to the province, and began auditioning for new financial patrons for Xinjiang. The entry of the United States into the Pacific War in December 1941 appeared to make Chiang Kaishek and the Nationalists a more sound bet for future prosperity and over a two month span in 1942 Sheng switched sides.

Wartime transformed Xinjiang forever, as the desperate quest for critical minerals turned it from a producer of light industrial raw materials like wool, cotton and furs, into one producing heavy industrial staples like oil, tin, and tungsten. The province came to

be seen as an engine with the potential to fuel ambitious national heavy industrial planning. This shift in perception helped set up a Sino-Soviet competition for Xinjiang's rich mineral wealth that would outlast the war and define policy in China's northwest for much of the next decade. More broadly speaking, the fact that Xinjiang today continues to be viewed as an important producer of various industrial minerals is largely a product of a shift brought about by the wartime scramble for resources. Indeed, one can argue that Soviet geologists, engineers, and policymakers in the early 1940s drew up Xinjiang's industrial development blue prints, from which Chinese Communist Party planners continue to work.

The Sino-Soviet Supply Corridor

The Chinese government had been preparing for war with Japan since the early 1930s. In 1933, state planners in the National Defense Planning Commission, an organization which in 1935 was renamed the National Resources Commission (NRC), drew up plans for the creation of "industrial regions for self defense" in central China.¹ These plans were eventually crafted into the 1936 *Three Year Plan for Heavy Industrial Reconstruction* which targeted defensible regions in Hunan, Jiangxi, and Sichuan as the new industrial heartland for a China living under the looming threat of Japanese invasion.² The unexpectedly rapid advance of Japanese forces after their initial invasion

¹ Morris L. Bian, *The making of the state enterprise system in modern China: the dynamics of institutional change* (Cambridge, MA: Harvard University press, 2005) 33-34

² *ibid*, 33; See also: Willian Kirby "Kuomintang China's 'great leap outward': the 1936 three year plan for industrial development" *Illinois papers in Asian studies* 2 (1983)

in 1937, however, forced Nationalist planners back onto their heels. The fall of Wuhan in late 1938 created a feeling of desperation, as the new situation bested the government's worst case scenarios drawn up only a few years previous. In response, Chinese leaders desperately groped for a way to hold off the Japanese advance.

The Nationalist government retreated to Chongqing, deep in China's rugged southwest, in late 1937. The shift began a painful period of institutional reorientation, as the new regime sought to acclimate itself to its new home in the southwest and begin the process of transforming this underexplored, largely unknown region into the industrial foundation for China's Anti-Japanese war effort. China's "great rear area" (*dahoufang*) which came to be referred to in English language accounts as "Free China" included the provinces of Sichuan, Yunnan, Xikang, Guizhou, and parts of Guangxi province.³ These areas were directly controlled by Nationalist officials and were quickly incorporated into national level wartime planning. Other provinces, such as Shaanxi, and warlord controlled Gansu and Qinghai were included in planning reports but central government control in these areas was weak.

Xinjiang, however, was in a category of its own. While putatively part of the Chinese nation, Xinjiang was tacitly acknowledged to be part of the Soviet Union's economic sphere of influence. The Chinese economic development planners whose predecessors had proved more than willing to draw up almost humorously ambitious development plans since the fall of the Qing dynasty were strangely silent on the question of how to tap Xinjiang's natural resource wealth following the outbreak of the war (See

³ For more information on this process of reorientation, see Judd Kinzley, "Crisis and the development of China's southwestern periphery," in *Modern China*, forthcoming

Chapter Two). Wartime economic development campaigns focused their efforts on the southwest, but also did not fail to include those tangentially controlled regions like Qinghai and Gansu. One planning report titled “NRC Three Year Plan for National Defense Construction for the Southwestern Provinces” prominently included the oil and ethyl alcohol refining capabilities of Xinjiang’s neighbor to the east Gansu in its report, but was silent on emergent operations in Xinjiang itself.⁴ A Nationalist report on metal mines in February 1940 overlooks the entire province completely, despite the rapid expansion of gold, tin and tungsten extraction operations undertaken in the metal rich north in the late 1930s. Later, in another 1940 report on industrial capacity and mineral extraction enterprises, the joint Soviet-Xinjiang oil drilling company located at Dushanzi, which had been up and running for nearly three years, and had the potential to produce at least as much as nearly every other oil production facility listed in the report, is absent completely.⁵

This is not to say that Xinjiang had no role to play in China’s increasingly dire war effort. In fact, for Nationalist economic planners attempting to navigate the thorny problem of ensuring that China’s armies were being supplied and that the factories of

⁴ “Ziyuan weiyuanhui xi’nan gesheng sannian guofang jianshe jihua” (1939-1941) in Zhongguo di er lishi dang’an guan, ed. *Zhonghua minguo shi dang’an ziliao huibian*, vol. 5, no.6 *caizheng jingji (liu)* (Nanjing: Jiangsu guji chubanshe, 1997) 82

⁵ “Ziyuan weiyuanhui xiezhu minying gongye sannian jihua” (1940-1942) Zhongguo di er lishi dang’an guan, ed. *Zhonghua minguo shi dang’an ziliao huibian*, vol. 5, no.2 *caizheng jingji (liu)* (Nanjing: Jiangsu guji chubanshe, 1997) 103; “Guofang gongye zhanshi sannian jihua gangyao” (4/1941) Zhongguo di er lishi dang’an guan, ed. *Zhonghua minguo shi dang’an ziliao huibian*, vol. 5, no.2 *caizheng jingji (liu)* (Nanjing: Jiangsu guji chubanshe, 1997) 120; “Ziyuan weiyuanhui ge shiye gaikuang” (1940) in Zhongguo di er lishi dang’an guan, ed. *Zhonghua minguo shi dang’an ziliao huibian*, vol. 5, no.2 *caizheng jingji (liu)* (Nanjing: Jiangsu guji chubanshe, 1997) 570

Free China were continuing to produce critical materials, the province played a central role. Having been pushed back from the coast, the province of Xinjiang operated as an important bridge linking China to the outside world. Xinjiang's long, dusty roads served as a lifeline connecting Nationalist China to the outside world and a conduit for funneling in the material needed to continue the so-called "War of Resistance." At the other end of the highway was the Soviet Union which was instrumental in helping keep the Chinese government in Chongqing above water during the early years of the war.

The representative of the Chinese Communist Party (CCP) in Xinjiang Deng Fa painted a picture of the province's geo-political importance for a handful of CCP cadres dispatched to the province in June 1938. "Xinjiang is [a part of China's] great rear area and is China's bridge to the Soviet Union," he said. "At present, China is battling a war of resistance and depends heavily on aid from the Soviet Union, we want to aid this policy and transform Xinjiang into a stable rear area," Deng explained.⁶ This sentiment was shared by Chiang Kaishek and his advisors in Chongqing. In one high level report from the Military Affairs committee, officials highlighted the importance of opening and retaining transport links to the Soviet Union following the outbreak of the war and the subsequent Japanese blockade of Chinese ports.

The Japanese invasion of China in 1937 seemed to signal the country's aggressive forward policy in Asia and appeared to threaten not only the existence of the Chinese nation, but also Soviet territory in Siberia as well as the existence of various Soviet

⁶ Jiang Lianmu, "Huiyi zai Xinjiang shuiwu gongzuo de qingkuang" in Zhonggong Xinjiang Weiwuer zizhiqu weiyuanhui dangshi gongzuo weiyuanhui, ed. *Kangri zhanzheng shiqi zai Xinjiang caijing zhanxianshang de Zhongguo gongchangdang ren* (Urumqi: Xinjiang Renmin Chubanshe, 1993) 160

puppet states in Mongolia and indeed Xinjiang. On August 21, 1937, little more than a month after the beginning of the Japanese invasion on July 7, Soviet and Chinese representatives signed the Sino-Soviet Mutual Non-Aggression Pact.⁷ As the Soviet Union publicly proclaimed, “From the standpoint of morality, spirit, and emotion, we completely sympathize with China, and are willing to provide all of the necessary assistance.”⁸ To work out the tangible aspects of assistance to the Chinese cause, shortly after the outbreak of the war, Chiang Kai-shek dispatched two members of his Military Affairs Committee to Moscow to begin negotiations over military support and to open direct negotiations for aid.⁹

In some ways, the Sino-Soviet agreement was the climax of a long, fraught negotiation between China and the Soviet Union that stretched back into the early 1930s following the Japanese annexation of Manchuria. Yet, the expressions of solidarity and more importantly the intimations about the willingness to provide tangible military support for the Nationalist position were a much needed morale boost for the Nationalist government.¹⁰ Over the course of the war, the Chinese government in Chongqing signed

⁷ See John Garver, *Chinese-Soviet relations, 1937-1945: the diplomacy of Chinese nationalism* (New York: Oxford University Press, 1933) 15-31. See also: Shen Zhihua, *Zhong-Su guanxi shigang* (Beijing: Xinhua Chubanshe, 2006) 59-64. There had been some attempts by Chiang Kaishek and the Nationalists to craft an agreement with the Soviets prior to the Japanese invasion, but these were large rebuffed.

⁸ Quoted in: Chen Jiuru, “Sulian yuan Hua kang Ri zhengce pingxi” in *Minguo Dang'an* (4/2001) 95

⁹ Shen, *Zhong-Su guanxi shigang*, 60

¹⁰ See Garver *Chinese-Soviet relations*, 15-31; see also: Chen, “Sulian yuan Hua kang Ri zhengce pingxi” 95

three separate lend-lease agreements with the Soviet Union.¹¹ The first and second agreements which began in October 1937 and July 1938 respectively, consented to the provision of 50 million U.S. dollars worth of war material, while the third, which began on July 1939 totaled 150 million. The first shipment of materials was sent to China even before the final loan agreement was signed. On September 14, 1937, officials in Nanjing received a telegram marked “secret” that notified them that the first shipment of 31 heavy bombers had taken off from airports in the Soviet Union bound for delivery in China that day. Before the end of October, a total of 62 heavy bombers, 101 fighter planes, 62 anti-bomber fighters, 82 tanks, 200 anti-tank guns, as well as substantial amounts of artillery shells, machine guns, and bombs were delivered in that first shipment.¹² In addition to military supplies, the Soviet Union also ordered the governor of Xinjiang Sheng Shicai to purchase oil through the Xinjiang-Soviet Trading Company and prepare it for delivery to Nationalist oil depots in Free China.

The agreement resembles those signed between Stalin and Sheng Shicai only a short four years previous, in that it allowed for the sum of the supplies to be repaid not in currency but rather in a commodity exchange. Written into all three agreements was the fact that the Soviet material would be exchanged for products like Chinese tea, hides,

¹¹ “Yang Jie guanyu jianding Zhong-Su di yi, er ci jiekuan heyue yu Jiangjieshi laiwang dian” (7/1938) in *Zhongguo di er lishi dang'an guan*, ed. *Zhonghua minguo shi dang'an ziliao huibian*, vol. 5, no.2 *caizheng jingji (er)* (Nanjing: Jiangsu guji chubanshe, 1997) 602-606; See also, Shen, *Zhong-Su guanxi shigang* 60-61

¹² “Junshi weiyuanhui canmou cizhang Yang Jie, zhongyang zhixing weiyuanhuizhang chongzi Mosike cheng Jiang weiyuanzhang baogao Sulian feiji er bai yu jia zhunbei qifei ji tanke, gaoshepao deng wuqi yi shangtuo daiyun qingxing dian” (MG 26, 9/14) in *Zhongguo Guomindang Zhongyang weiyuanhui dangshi weiyuanhui bianyin*, ed. *Zhonghua Minguo zhongyao shiliao chubian – dui Ri kangzhan shiqi, di san bian zhanshi waijiao (er)* (Taipei: Zhongguo Guomindang dangshi weiyuanhui, 1981) 465; See also Shen, *Zhong-Su guanxi shigang* 61

wool, furs, silk, cotton, tung oil, medicinal herbs as well as shipments of minerals like antimony, zinc, nickel, and tungsten much of which would be shipped via Xinjiang into Soviet territory.¹³ In order to oversee the process of exchange, Chiang Kaishek ordered the creation of a new office set up within the government's powerful Executive Yuan in 1940.¹⁴ An internal report pointed out in 1940 that "if the new office is attached to the Executive Yuan, then it can receive the benefits of working in coordination with other [governmental] bureaus."¹⁵ The new organ, known as the "External Trade Committee" was headed up by the close Chiang ally and vice director of the Executive Yuan, Kong Xiangxi.

All told, the three agreements which lasted until October 1941, provided the Nationalists with 1,562 aircraft, 164 tanks, 1,850 artillery guns, 1,337 vehicles, 100,000 infantry rifles, and nearly countless boxes of shells and bullets to be unleashed upon the Japanese.¹⁶ In addition to military equipment, oil in its various refined forms was also a

¹³ "Yang Jie guanyu jianding Zhong-Su di yi, er ci jiekuan heyue yu Jiangjieshi laiwang dian" (7/1938); "Zong-Su di san jiekuan he yue" (6/13/1939) in Zhongguo di er lishi dang'an guan, ed. *Zhonghua minguo shi dang'an ziliao huibian*, vol. 5, no.2 *caizheng jingji (liu)* (Nanjing: Jiangsu guji chubanshe, 1997) Zhongguo di er lishi dang'an guan, ed. *Zhonghua minguo shi dang'an ziliao huibian*, vol. 5, no.2 *caizheng jingji (er)* 602-610

¹⁴ Li Gangfang, ed. "Kangri qijian Zhongguo zhengfu dui yihuo changzhai xiangguan shiliao" in *Minguo Dang'an* (2/2006) 16

¹⁵ *ibid* 17

¹⁶ "Yang Jie chaosong Zhong-Su yi ci yihuo jiekuan dinghuo huanben qi en qiyue zhi Kong Xiangxi (9/29/1939) in Zhongguo di er lishi dang'an guan, ed. *Zhonghua minguo shi dang'an ziliao huibian*, vol. 5, no.2 *caizheng jingji (er)*, 610-623, "Kong Xiangxi fu song Zhong-Su jiekuan 1041-1942 niandu huankuan waijiaobu jingguo deng zhi xingzhengyuan kuaiyou dai dian" (1/23/1942) in Zhongguo di er lishi dang'an guan, ed. *Zhonghua minguo shi dang'an ziliao huibian*, vol. 5, no.2 *caizheng jingji (er)*, 631-632. In his work, Garver notes that these shipments were frequently fraught with diplomatic

critical product being shipped import into Free China and a substantial amount of ink was spilled in trying to figure out the best method for facilitating the shipment of the government's standing order of 1,000 tons of oil monthly.¹⁷ In exchange, over the course of the war, the Nationalists provided 586,981 *dan* size cases (one *dan* is equal to 50 kgs) of brick tea, 7,899 tons of tung oil, 294,218 *dan* of wool, and 299,755 Ha'er skins among other agricultural imports. As for mineral imports, which the Nationalists provided at the outset of the war at a ratio of 1:1 in the value of agricultural imports to those of mineral imports and which later dropped to 2:1, they provided 14,924 metric tons of tungsten ore and 6,672 tons of tin, among others.¹⁸ The transfer of material was a massive logistical enterprise that consumed the efforts of the External Trade Committee at the Executive Yuan.

Throughout the course of the early period of the war, almost all of the Soviet imports were either received at the airfield in Yili in western Xinjiang or Lanzhou (the capital of Gansu province, just east of Xinjiang) or else were shipped overland by truck convoy to the eastern Xinjiang town of Hami, the Xinjiang border town of Xingxingxia,

tension, as Chinese orders were frequently made *ad hoc* and chaotically; see also, Shen, *Zhong-Su guanxi shigang* 61

¹⁷ Li, "Kangri qijian Zhongguo zhengfu dui yihuo changzhai xiangguan shiliao," 14-17

¹⁸ "Kong Xiangxi guanyu dong yong Zhong-Su jiekuan ji sannian lai peihuan zhanglue zhi Jiang Jieshi cheng" (3/4/1942) in Zhongguo di er lishi dang'an guan, ed. *Zhonghua minguo shi dang'an ziliao huibian*, vol. 5, no.2 *caizheng jingji (er)* 633-639; See also "Jingjibu ziyuan weiyuanhui yu Sulian chukou maoyi xiehui zai Chongqing shangding jiaohuo hetong caoan liang zhong" (MG 28, 3rd month) in Zhongguo Guomindang Zhongyang weiyuanhui dangshi weiyuanhui bianyin, ed. *Zhonghua Minguo zhongyao shiliao chubian* 509-512

or the city of Lanzhou.¹⁹ The relatively poor transportation infrastructure limited the amounts of material that could be imported, as fully loaded trucks were said to get only four to five miles per gallon on Xinjiang's bad roads.²⁰ In total, there were 20 discrete shipments of material into China from the Soviet Union from the period from October 17, 1938 when the first shipment was received in Lanzhou to the last shipment almost exactly three years later on October 27, 1941. To keep the flow of goods running smoothly, the Soviets requisitioned 5,260 trucks to oversee transport inside Xinjiang and amassed an army of 100,000 Chinese laborers to keep the roads open to traffic.²¹ In 1940, in order to ease supply, the Soviets and Chinese also agreed to set up a jointly funded airplane factory outside of Xinjiang's capital of Dihua which would shorten supply routes and ensure a steady supply of the planes needed to repel Japanese bombing raids against Chongqing.²²

The flow of goods in the opposite direction was more complicated. The fact that the new Nationalist capital in Chongqing, located deep in the rugged mountains of eastern Sichuan province, had long lacked an adequate transport infrastructure

¹⁹ Certain types of material, including gunpowder, and artillery shells were shipped in via Hong Kong presumably to minimize the risk of fire or explosions, Shen, *Zhong-Su guanxi shigang* 61

²⁰ Eric Teichman, "The motor route from Peking to Kashgar" in *The geographic journal* 89, no. 4 (1937) 297-307

²¹ Raisa Mirovitskaya and Yuri Semyomenov, *The Soviet Union and China: a brief history of relations* (Moscow: Novosti Press Agency, 1981) 330-331. Quoted in: Garver *Chinese-Soviet relations*, 39

²² There was some controversy surrounding the agreement, as the Soviets insisted that Sheng Shicai and Xinjiang province be included in it. While the Soviet Union provided 50 percent of the capital, Xinjiang and China each provided the additional 25 percent. Chiang Kaishek was unhappy that Xinjiang was included in the negotiations at all.

particularly with points west served as a constant obstacle to imports. Early on in the war, bulk goods, mineral ores, and products like tung oil, silk, water buffalo hides, and tea which were produced in China's south were transferred to Soviet hands through the port of Hong Kong. Yet, a substantial amount were also transferred along the northwestern corridor. Forced to rely heavily on 10,000 camels that had been requisitioned by the Nationalist in Xinjiang and Gansu provinces to help import material into Free China, the route was by no means a fast or efficient one.²³ The total capacity of transport for the bumpy 2,900 *li* road from Lanzhou to the border town of Tacheng in western Xinjiang in the early 1940s was 2,000 tons of equipment monthly, an amount which one report to Chongqing complained was drastically insufficient, as "right now oil production [in the region] is producing this amount daily."²⁴ In addition to the problems with transport logistics, the sheer difficulty of the terrain meant almost constant hold-ups along the route. In one report from the Executive Yuan in May 1941, officials complained about delays in the import of oil from the Soviet Union, noting that the northern road across Xinjiang was snowbound, "planes, and automobiles are all having difficulty along the route." The delay in shipments, Nationalist officials pointed out, undercut the transfer of the gasoline needed for other imports in the northwest and threatened the entire logistical enterprise.²⁵

²³ Translated Soviet archival source: "Lujianieci yu Kong Xiangxi huitan jilu: Zhong-Su jiaotong deng wenti" (11/28/1938) Reprinted in: Shen Zhihua, ed. *Eguo jiemi dangan: Xinjiang wenti* (Unpublished manuscript) 62

²⁴ "Jiang Jieshi guanyu jianshe xibei tielu jinhou buzhu yu Zhang Jia'ao deng laiwan dai dian" (10/1942) in Zhongguo di er lishi dang'an guan, ed. *Zhonghua minguo shi dang'an ziliao huibian*, vol. 5, no.10 *caizheng jingji (shi)* (Nanjing: Jiangsu guji chubanshe, 1997) 192

²⁵ Li, "Kangri qijian Zhongguo zhengfu dui yihuo changzhai xiangguan shiliao," 21. The Shaan-Gan route was said to need at least 600 tons monthly to transport goods

The governor of Xinjiang Sheng Shicai acknowledged the importance of Xinjiang as a transport hub linking the Soviet Union to China. Privately he told his advisors that his “greatest contribution to the war of resistance was in the arena of transport.”²⁶ The Minister of Transport Zhang Xi’ao noted that in 1937 he dispatched a four man commission to Xinjiang to meet with Sheng to discuss transport issues. The commission arrived in Xinjiang in October 1937 at approximately the same time that the first Soviet convoy was rumbling through Dihua. Staying for a month in the capital city they held daily meetings with the governor and sketched out the blueprint for a large-scale, multi-faceted transport campaign.²⁷ Later, Sheng began laying the groundwork for the province’s long-distance transport infrastructure. He set up automobile way stations in ten spots along the northern road across Xinjiang, with facilities for rest and recuperation for haggard truck drivers. He also set up airplane runways in five spots across the main east to west transport route in order to give planes refueling opportunities in the long run across Central Asia. The small airplane refueling stations would be staffed with a Soviet manager, a doctor, a wireless operator, and would have places for pilots to rest overnight.²⁸ In total, from October 1937 until September 1941, Sheng was reported to

²⁶ Cai Jinsong, *Sheng Shicai zai Xinjiang* (Zhengzhou: Henan Renmin Chubanshe, 1987) 2

²⁷ “Zhang Jia’ao guanyu diaocha Xinjiang –Zhong yunhui chengli jingguo ji banli Sulian huanzhu junyong wuzi yunshu qingkuang dian” (10/9/1941) in *Zhongguo di er lishi dang’an guan*, ed. *Zhonghua minguo shi dang’an ziliao huibian*, vol. 5, no.2 waijiao (Nanjing: Jiangsu guji chubanshe), 1997) 256-257

²⁸ “Hangkong weiyuanhui baogao Xinjiangsheng hangkong zhan qingxing dian” (11/14/1941) *Zhongguo di er lishi dang’an guan*, ed. *Zhonghua minguo shi dang’an ziliao huibian*, vol. 5, no.2 waijiao 257

have spent more than 3 million *yuan* on assorted transport costs, the bulk of which was paid for through a 1.6 million *yuan* loan from the Soviet Union.²⁹

The construction and improvement of transportation infrastructure was of central importance for the Nationalist government. Almost immediately following the Japanese invasion and the subsequent Soviet expression of support, Chinese leaders sought out their Soviet counterparts, raising the issue of Soviet aid in the construction of a transportation network linking Free China to the Soviet Union through Xinjiang. In 1938, in a conversation with the Soviet representative in Chongqing, Kong Xiangxi voiced his frustrated with the slow pace and high cost of oil imports to China and suggested to the Soviet representative the possibility of establishing an oil pipeline that would cross Xinjiang.³⁰ Throughout late 1937 and early 1938 officials conducted active negotiations over the shared costs and the route of a potential rail or at the very least a highway connecting the southwestern “rear area” to the Soviet border. Under these proposals, the Soviet government would cover costs of construction from Soviet territory up through Xinjiang’s provincial capital of Dihua and the Nationalists would fund the cost of the line from Dihua through Lanzhou. Soviet concerns about the project eventually prompted them to pull out of negotiations.³¹ Yet, Chinese attempts to shore up the overland route

²⁹ “Caizhengbu baogao Xinjiang-Zhong yunhui zuzhi banli Sulian huan Hua wuzi neiyun qingxing dian” (9/14/1941) *Zhongguo di er lishi dang’an guan*, ed. *Zhonghua minguo shi dang’an ziliao huibian*, vol. 5, no.2 waijiao 255

³⁰ Translated Soviet archival source: “Lujianieci yu Kong Xiangxi huitan jiyao: Zhong-Su jiaotong deng wenti” (11/28/1938). Reprinted in: *Eguo jiemi dangan: Xinjiang wenti* 62

³¹ Translated Soviet archival source: “Lujianieci yu Lin Wu de huitan jiyao: Sulian huanzhu yu Zhongguo kangzhan” (4/16/1939). Reprinted in: *Eguo jiemi dangan: Xinjiang wenti* 68

were on-going with or without direct Soviet assistance. Soviet Foreign Ministry sources reported that in April 1938, the Chinese head of the Ministry of Transport Zhang Xi'ao approached the Soviet representative in Chongqing about a 20 year 280 million *yuan* loan that would be used to construct the line themselves, an offer eventually rejected by the Soviets.³²

Despite these setbacks, the construction of transportation infrastructure in Xinjiang was a priority for the nationalist government that appeared to border on life and death. As one high level Military Affairs commission report which called for the improvement of the transportation infrastructure through Gansu and Xinjiang provinces explained, “internal and external transport linkages are a critical factor in the resurgence of the nation.” The report went on to note that “in the future the only transport line that will have any impact is that one connecting China and the Soviet Union, there are absolutely no other roads we can depend on.”³³ Thus, while Xinjiang's industrial capacity and mineral wealth was not being included in Nationalist planning reports in the early wartime period, its roads certainly were. In a nod to the Nationalist plans of old, planning reports frequently laid out extensive and fundamentally impractical plans to create a vast rail network spanning the province, and less expensive though equally

³² Translated Soviet archival source: “Lujianieci zhi waijiao renminweiyuan budian: Xiujiang Su-Xin tielu” (4/8/1938) Reprinted in: *Eguo jiemi dangan: Xinjiang wenti* 54

³³ Sun Wu, ed. “Ceng wen wu jianyi datong Gan-Xin dadao yi chang Zhong –Su jiaotong yijianshu” in *Minguo dang'an* (2/2006) 11

unrealistic plans to construct a highway tying this tacitly acknowledged hinterland of the Soviet Union into a broader Nationalist highway network.³⁴

Repairing Xinjiang's Tattered Finances

As far as the Nationalist government was concerned, Xinjiang was a bridge or a dusty conduit linking China with their closest ally. The province was simply flyover territory linking the front lines of the War of Resistance to China's supplies in the rear. Yet, we should be careful before simply assigning Xinjiang to the back row. While the province may have been largely sidelined in the warming relationship between Chiang Kai-shek and Stalin, this does not mean that the province was static. In fact, the 1930s and early 1940s are a period of intensifying economic change, as Sheng and a coterie of advisors imported from Chinese Communist Party base areas in Yan'an sought to repair the fiscal damage wrought by the rebellion and unrest in the province since the early 1930s.

In an April 1938 letter to his older brother Mao Zedong in Yan'an, Xinjiang's newly appointed Minister of Finance Mao Zemin described an economy in tatters. Noting Governor Sheng Shicai's reliance on the printing press and his apparent slap happy willingness to take on massive Soviet loans, he groaned, "we still do not even know how many other outrages to both heaven and earth he has committed."³⁵ To some

³⁴ "Jiaotongbu ni jiaotong fang'an" (6/1938) in *Zhongguo di er lishi dang'an guan*, ed. *Zhonghua minguo shi dang'an ziliao huibian*, vol. 5, no.10 *caizheng jingji (shi)*, 5-20

³⁵ "Mao Zemin guanyu Xinjiang caizheng, jinrong qingkuang zhi Luobu, Zedong tongzhi dixin" (4/18/1938) in *Zhonggong Xinjiang Weiwuer zizhiqu weiyuanhui dangshi gongzuo weiyuanhui*, ed. *Kangri zhanzheng shiqi zai Xinjiang caijing zhanxianshang de Zhongguo gongchangdang ren* 38

extent, the feebleness of Xinjiang's economic situation should come as no surprise. The conflict that wracked the province in the years from 1931 to 1933 had destroyed the agricultural tax base of the province. The seeming generosity of Soviet officials and their willingness to extend loans and credit to Sheng served to channel Xinjiang's rich "local products" away from taxable trade and toward the repayment of the province's foreign debts. Mao who operated as Xinjiang's Minister of Finance from 1938 to 1942 sought to correct the damage and establish a certain degree of financial autonomy in Xinjiang.

By 1933, Sheng's oversight of Xinjiang's finances had already resulted in an annual deficit of 3.06 million provincial *taels*, a number which quickly grew to 4.26 million the next year, as meager tax revenues were vastly outstripped by annual expenditures.³⁶ To make ends meet, Sheng turned back to the long-term fiscal friend of provincial governors in Xinjiang, the printing press. According to archival sources, in 1935, the printing presses were often printing 18 million provincial *taels* worth of 50 *tael* notes per day. These massive sums of printed currency were still insufficient to meet Sheng's insatiable need for funds and printed bills flowed in a rip roaring torrent from the provincial treasury in Dihua throughout 1935. Contemporary reports note that frequently sheets of bills were ripped off the printing presses before the ink was dry and immediately put into circulation.³⁷ The flow poisoned Xinjiang's currency markets, and caused the value of the provincial *tael* to drop precipitously (see chapter 3). In order to match the rampant inflation, higher and higher denominations were printed. While Sheng had second thoughts about his decision to match the demands of inflation and issue a

³⁶ Zhang Dajun, *Xinjiang fengbao qishinian*, vol. 8 (Taipei: Wenhai chubanshe 1980) 3801, 3802

³⁷ Cai, *Sheng Shicai zai Xinjiang* 192

10,000 *tael* note in late 1934 and quickly discontinued it, 3,000 and 4,000 *tael* notes were a common denomination throughout 1935.³⁸

Soviet financial advisors were sent to the province in 1934 to help Sheng navigate the thorn patch that was the province's treasury, but ultimately Xinjiang was on its own. The question that perplexed provincial officials was how to raise the province's meager revenues. Tax reforms and a vicious crackdown on official corruption were intended to regularize tax collection and centralize control over revenues. Additionally, new land reclamation plans which focused on the resettlement of impoverished Han and Hui refugees from Gansu and Eastern Xinjiang on open steppe land in the north sought to increase land tax revenues. Yet, like his predecessors, Sheng also focused a substantial amount of energy in tapping Xinjiang's natural resource wealth in order to firm up the province's fiscal base. The Nationalist agent Wu Aichen dispatched to the province in 1934 argued that at the core of any developmental plan in Xinjiang must be the development of its natural resources, which he listed as "herds, reclaimed land, gold, and oil."³⁹ Like Yang Zengxin, Jin Shuren, and a long list of Qing governors, Sheng turned to Xinjiang's gold ore as a potential source of wealth to float the local economy. For anyone who might have been skeptical of the viability of gold as an important source of revenue, one only had to watch the rapidly increasing price for gold in the province,

³⁸ *ibid*

³⁹ Wu Aichen, *Xinjiang jiyou* (Shanghai: Shangwu yinshuguan, 1935)

which was prominently listed on the front page of the newspaper the *Xinjiang Daily* in the mid-1930s.⁴⁰

The turmoil that wracked the province in the years from 1931 until Sheng's Soviet-aided crackdown in 1934 had dealt a blow to the gold mining enterprises set up in the region under Governor Jin Shuren. Yet, Sheng wasted no time after coming to power in attempting to re-establish Xinjiang's gold mining infrastructure, focusing his efforts much more squarely on developing the gold fields of the far north in the Altai mountains, a region which no governmental report ever failed to point out meant "gold mountain" in Mongol. Noting the ineffectiveness of the strategy of money printing, in doing anything more than simply "maintaining the status quo by alleviating the symptoms of the [financial] illness," the Mining and Agriculture Office in Dihua called for a focus on gold mining to resolve Xinjiang's problems. "Emphasizing gold mining production is an effective strategy," the March 1935 report which called for an opening of the Altai read.⁴¹ The development of the region's gold fields was a prominent component of Sheng Shicai's Soviet-inspired First Three Year Plan, which called for a detailed survey of the region, the establishment of a large-scale government mining operation equipped with the newest gold mining technology, and staffed by teams of miners who were fed, clothed and equipped by government agencies in the provincial capital of Dihua. The plan, which relied heavily on Soviet aid, called for a gradual ramping up of operations,

⁴⁰ Gold prices were frequently listed in the *Xinjiang Daily* newspaper, see: *Xinjiang ribao*, number 5 (12/7/1935) 3; *Xinjiang ribao*, number 6 (1/22/1936) 3; *Xinjiang ribao*, number 98 (4/27/1936) 2.

⁴¹ "Ashan jinkuangju jianzhang" (MG 24, 3/27) Republican Collection: file number: 2-7-625 (Xinjiang Uighur Autonomous Region Archive, Urumqi, P.R.C.) 82-84

growing from 1,000 workers the first year, to 2,500 by the end of the second, to 5,000 by 1938.⁴² To guide the process, and ensure that the provincial government had direct access to the distant region's mineral wealth, in May 1935 Sheng established a new office, the "Altai Mountain Gold Mining Bureau" which officially opened four ore fields in the mountain range to gold mining.

Provincial officials hoped that the new operation would reveal a new source of specie in order to resolve the province's fiscal problems once and for all.⁴³ Indeed, they were willing to take out costly Soviet loans to ensure its success. The operation in the Altai mountains was undertaken with a 6 million *tael* loan, an amount substantial enough that the operation ran a heavy surplus of at least 300,000 *taels* for each of the next six months (the only period for which records are available).⁴⁴ In addition to a cash infusion, the Soviet Union also provided (for a fee of course) 20 specialists to the region who came

⁴² Jianshe weiyuan hui, ed. *Xinjiang erqi sannian jihua* (Dihua: Xinjiang ribao sheyin, 1941) 113-114

⁴³ Cai, *Sheng Shicai zai Xinjiang* 193

⁴⁴ See: "Zhiling Ashan jinkuangju cheng wang boye kaiban fei yin liu baiwan liang" (MG 24, 5/7) Republican Collection: file number 2-7-625 (Xinjiang Uighur Autonomous Region Archive, Urumqi, P.R.C.) 59-62; "Chengzhuan Ashan jinkuangju chengbao jiuyuefen xin gong gefei shumu you" (MG 24, 11) Republican Collection: file number 2-7-625 (Xinjiang Uighur Autonomous Region Archive, Urumqi, P.R.C.) 29-31; "Chengzhuan Ashan jinkuangju chengbao bayuefen xin gong gefei shumu you" (MG 24, 11) Republican Collection: file number 2-7-625 (Xinjiang Uighur Autonomous Region Archive, Urumqi, P.R.C.) 45-47; "Chengzhuan Ashan jinkuangju chengbao liuyuefen xingong gefei shumu you" (MG 24, 11) Republican Collection: file number 2-7-625 (Xinjiang Uighur Autonomous Region Archive, Urumqi, P.R.C.) 17-19; "Chengzhuan Ashan jinkuangju chengbao qiyuefen xingong gefei shumu you" (MG 24, 11) Republican Collection: file number 2-7-625 (Xinjiang Uighur Autonomous Region Archive, Urumqi, P.R.C.) 9-12; "Chengzhuan Ashan jinkuangju cheng bao wuyuefen xingong gefe shumu you" (MG 24, 11) Republican Collection: file number 2-7-625 (Xinjiang Uighur Autonomous Region Archive, Urumqi, P.R.C.) 1-3

equipped with five trucks which would also be sold to the mine.⁴⁵ Additional supplies for the operations arrived at the mine by riverine transport along the Buerjin River, which connecting the isolated mountain range to the Soviet border. In one July 1935 shipment to the gold fields, the Soviets shipped 3,000 *shi* of wheat, four large trucks, and electricity poles and lines. A separate shipment of 40 lamps, telephones, and a number of generators was shipped in by truck from Dihua which was also purchased with a loan from the Soviet Union.⁴⁶

As the enterprise came on line in 1935, the operations were decidedly small-scale. The mine simply relied on the labor of the around 200 mostly ethnic Hui, but also Han and Mongol workers who had been working the veins since the failure of Jin Shuren's operations in the region in 1931. The workers in the area, many of whom lived with their dependents in caves, earthen homes, or lean-tos dug into the sides of cliffs in the area, undertook the arduous task of digging gold laden sand out of small streams in the area, washing it in wooden sloughs and picking out the gold flakes. In order to fill out the ranks of these workers, Sheng turned to refugees displaced by the four years of unrest in the province and who appeared to be more than happy to reap the grain, clothing and equipment provided by the government as well as the two to three *tael* monthly salary.⁴⁷

⁴⁵ No title (MG 24, 5/4) Republican Collection: file number 2-7-625 (Xinjiang Uighur Autonomous Region Archive, Urumqi, P.R.C.) 66-69

⁴⁶ No title (MG 24, 7/4) Republican Collection: file number 2-7-625 (Xinjiang Uighur Autonomous Region Archive, Urumqi, P.R.C.) 57-58

⁴⁷ See "Chengwei niju huifu Ashan jinkuang banfa yangqi" (MG 24, 3/27) Republican Collection: file number 2-7-625 (Xinjiang Uighur Autonomous Region Archive, Urumqi, P.R.C.) 68-77

Despite the relative success of the Altai mining operations, the gold recovered did not result in the gilded path to self-sufficiency that officials were hoping for. Mining revenue never exceeded any of the province's major tax revenue streams. The 1938 second three year plan forecasted that revenues from gold mining would top out at a not insignificant 800,000 *yuan* annually and would increase slightly to one million the next year.⁴⁸ Yet, Sheng and others knew that the scale of operations in the region would have to be drastically increased if they wanted to resolve Xinjiang's systemic fiscal problems. During a conversation in Moscow between the Joseph Stalin, the Soviet Foreign Minister Vyacheslav Molotov, and Governor Sheng, when the Soviet leaders asked him about gold mining in the province, Sheng responded with a sigh that operations were small and were all confined "to discoveries in several minority areas." Despite noting the operations in the Altai, Sheng went on to point out that the scale of mining operations in the province was still relatively small and that if they want to increase production they would need an additional 5 million *yuan* worth of loans.⁴⁹

The attempts to even out Xinjiang's financial situation in the mid-1930s lacked long term focus. While they were able to staunch Xinjiang's steep financial slide, the aggressive fiscal surgery that the province needed would not begin until the later half of the decade. Officials like Mao Zemin who arrived in the province in February 1938 and who was immediately confronted with Xinjiang's massive economic woes must have wondered what he had gotten himself into. Mao had been recruited to aid Xinjiang by

⁴⁸ Jianshe weiyuan hui, ed. *Xinjiang erqi sannian jihua* 12

⁴⁹ Translated Soviet archival source: "Sidalin deng yu Sheng Shicai tanhua jiyao: Zhong-Su guanxi" (9/2/1938) Reprinted in: *Eguo jiemi dangan: Xinjiang wenti*, 56

the Soviet Union following a massive, bloody purge of the provincial bureaucracy undertaken by Sheng in 1937. During the purge, those former officials and intellectuals in the province who were not labeled Trotskyites and either put in prison or executed by Sheng, fled to the Soviet Union, leaving a gaping hole in the provincial apparatus. To fill this hole, the Soviet Union pressured Sheng to take on advisors from the Chinese Communist Party. Largely confined to economic and cultural affairs, these advisors were faced with the Herculean task of putting Xinjiang back on an even economic keel once and for all. As Mao complained in his letter to his brother in Yan'an, "In only a short five years of work [1933-1938], 300 million in provincial *taels* have been printed and more than 20 million Chinese *yuan* in foreign loans have been taken out."⁵⁰

The perennial problem of raising revenues in the province made the issue of loan repayment particularly knotty. Military expenditures dropped in the second half of the 1930s under the Red Army enforced peace in the province. Yet, the province continued to pay substantial amounts in military and bureaucratic expenditure, to help pay for the 18,100 soldiers and around 18,000 bureaucrats employed in the province.⁵¹ Indeed, administrative costs occupied more than 62 percent of the province's total expenditures during the Second Three Year Plan (1938-1940).⁵² Revenues in the province simply could not match expenditures, especially when considering the fact that a substantial amount of the province's monthly tax receipts were taken not in provincial currency or specie, but in kind, in the form of grain or livestock. For provincial administrators

⁵⁰ "Mao Zemin guanyu Xinjiang caizheng, jinrong qingkuang zhi Lubu, Zedong tongzhi de xin"

⁵¹ *ibid*

⁵² Zhang, *Xinjiang fengbao qishinian*, vol. 8, 4385

hoping to balance the province's books tax revenues in sheep or winter wheat was simply not acceptable. As Mao Zemin pointed out in his letter, the population of 40,000 living in squalor in arid northern Shaanxi province (the region which included Yan'an) were recovering more in tax in revenues than the 4 million people of Xinjiang province.⁵³

The key to Xinjiang's self-sufficiency Mao and others came to realize was to recover what they referred to as "floating capital" in the province. The centerpiece in his plan to uncover the province's elusive floating capital which existed in the strong-boxes of the province's wealth merchants, the storage chests of officials, and in the pockets of local peasants and herders, was to set up the Xinjiang Commercial Bank. The bank would be capitalized at 3 million Chinese *yuan* the first year, with 60 percent of the funds coming from the government and 40 percent from private accounts. The private accounts would generate capital that could be used by the government to free up funds for various development programs. As Mao explained in a report to Sheng, the bank will be able to "accumulate a large amount of floating capital, which will give us access to the economic resources of Xinjiang's 4 million citizens, which we can then pour into development programs."⁵⁴ The bank was relatively successful in gaining the support of local populations, and the total investment of private capital had grown to 24,973,000

⁵³ "Mao Zemin guanyu Xinjiang caizheng, jinrong qingkuang zhi Lubu, Zedong tongzhi de xin"

⁵⁴ "Xinjiang shangye yinhang zhaoshou shanggu hushi" (MG 37, 12/8) in Zhonggong Xinjiang Weiwuer zizhiqu weiyuanhui dangshi gongzuo weiyuanhui, ed. *Kangri zhanzheng shiqi zai Xinjiang caijing zhanxianshang de Zhongguo gongchangdang ren* 42

provincial *yuan* in 1942, an increase of 177 times since its first year of operation in 1939.⁵⁵

Mao's fiscal plans and his attempts to access floating capital was not limited to the establishment of a bank. An internally distributed March 1941 report asked: without "raising taxes, soliciting contributions, and without assistance payments from the central government, where can the capital needed to develop the province be found?"⁵⁶ The answer, Mao Zemin offered was an innovative plan to issue government "construction bonds" which would effectively siphon even more of the province's floating capital into the provincial treasury. The initial plan drawn up by Mao was to sell 6.65 million provincial *yuan* in the securities at denominations of 50, 25, 10, 5 and 1 *yuan*. The balance would be repaid over a ten year period by the government along with an annual reward payment to the buyer that could reach as high as 5,000 *yuan*.⁵⁷ The initial government report offered by Mao included a long list of suggested slogans for promoting the bonds ranging from an appeal to civic duty ("Every new citizen of Xinjiang should buy construction bonds!") to an appeal to the baser interests of local peasants ("Buy construction bonds, not only will you receive repayment every year, but you also receive an opportunity to get a 5,000 *yuan* reward every year!").⁵⁸ Whether or

⁵⁵ *Geming licaijia Mao Zemin* (Wulumuqi, Xinjiang renmin chubanshe, 1994) 24-49; See also, Peng Jiyuan, "Yi nian lai de caizheng gongzuo," in *Xinjiang ribao* (1/1/1944)

⁵⁶ "Xinjiangsheng jianshe gongzhai xuanchuan dagang" (MG 30, 3) Zhonggong Xinjiang Weiwuer zizhiwei weiyuanhui dangshi gongzuo weiyuanhui, ed. *Kangri zhanzheng shiqi zai Xinjiang caijing zhanxianshang de Zhongguo gongchangdang ren* 78-82

⁵⁷ *ibid*

⁵⁸ *ibid*

not local populations were swayed by the cloying slogans, by the promise of financial windfalls, or pressure from local officials to reach government mandated bond purchase quotas, the program was a success. Mao's initial bond sales plan was exceeded by 1.6 million *yuan* in bond purchases. One might think that the purchases would be concentrated in the capital Dihua. In fact, according to one report published in the *Xinjiang Daily* regarding one two month period from October to November 1941, the geographical spread of bond purchases stretched into every corner of the province. The largest purchases of bonds were undertaken in the far north in the gold rich Altai, followed by Hetian in the far south and then Yili on the Soviet border.⁵⁹

In order to sop up any remaining floating capital that could be used to fill out the provincial treasury, officials in Xinjiang also turned to the age-old strategy of shaking down local citizens for contributions. In the mid-1930s, Sheng began to employ a revenue raising strategy of arresting wealthy citizens in order to be able to seize their property for the government coffers, a strategy that some scholars argue was suggested by his Soviet advisors.⁶⁰ There is no question that the purges of 1938 and later 1940 ferociously undertaken by Sheng generated much needed revenue in the form of seized

⁵⁹ Quoted in: Zhang, *Xinjiang fengbao qishinian*, vol. 8, 4420 Other scholars have suggested that the campaign was less successful, See Justin Jacobs, *Tortoise by the sea: Xinjiang and the waves of modern China*, PhD Dissertation (San Diego: University of California, San Diego, 2011) 343. This analysis is based primarily on one source reprinted in Hami diqu defangzhi bangongshi and Hami diqu caizhengchu, eds, *Mao Zemin yu Hami caizheng* (Urumqi: Xinjiang renmin chubanshe, 1992) 273-275. This report, however, was issued fairly early on in the campaign and does not reflect the ultimate success of the revenue raising strategy, which eventually came to exceed the expectations of policymakers including Mao. See: "Xinjiangsheng jianshe gongzhai xuanchuan dagang" 81-82

⁶⁰ Cai, *Sheng Shicai zai Xinjiang* 265

estates. But the full-scale campaign to extract “contributions” from local citizens commenced with Sheng’s public pronouncement of his support for the Anti-Japanese War Effort in December 1937. Wartime resulted in a contribution campaign unleashed by Chiang Kaishek and the Nationalist Government which sought to increase revenues by playing on nationalistic sentiments throughout China and overseas Chinese communities worldwide. Sheng seized the opportunity to profit off of a blossoming war inspired nationalism. While Sheng might have been willing to lead the anti-Japanese charge, that does not mean he was doing it to help the Chinese motherland. As a report from government officials in Chongqing asserted, Sheng’s “anti-Japanese stance is directed toward the Soviet Union and does not converge with our central government’s position.”⁶¹

For Sheng, wartime provided the perfect opportunity to generate a flow of currency from the village level up to Dihua. There is no question that at least part of the money raised by Sheng for the war effort made its way into the war chest of the Nationalists, but there is reason to suggest that this campaign also helped facilitate an increase in the flow of money into his own treasury. By 1938 the campaign was in full swing, and telegrams were issued to local officials throughout the province urging them to contribute themselves to the effort and to be more aggressive in soliciting contributions from their local areas. In a February 1938 telegram to Hetian in the far south, Sheng appealed to local officials nationalism, calling on them to be more aggressive in soliciting

⁶¹ “Meng-Zang weiyuanhui paizhu Tianshan diaochazu wei baogao Sheng Shicai zhu Riben diguozhuyi dui Xinjiang mouyin jingong de shishi zhi Wu Zhongxin cheng (11/7/1941) in Zhongguo di er lishi dang’an guan, ed. *Zhonghua minguo shi dang’an ziliao huibian*, vol. 5, no.2 zhizhi (4) (Nanjing: Jiangsu guji chubanshe, 1997) 789

contributions for the purchase of fighter planes for the war effort despite local fiscal hardships. “We plan to send the contributions to the interior provinces soon” and pushed them to “demonstrate their zealous nationalistic fervor.”⁶²

Demonstrating one’s nationalism was not limited to simply the purchase of war material. By 1942, Sheng had expanded the solicitation and was actively calling for contributions to help pay off Xinjiang’s debts to the Soviet Union. In a later report, among the listed reason for contributions included not only aiding China’s war effort and helping in the global fight against fascism, but also aiding the construction of Xinjiang and “more quickly achieving the goals of the Second Three Year Plan.” The report called for the forwarding of amounts that exceeded monthly estimates directly to the provincial treasury in Dihua.⁶³ The open season on contributions to the war effort appears to have prompted some local officials and private entities to have used the rhetoric of wartime contributions to line their own pockets. The problem was significant enough that in 1940 Mao Zemin felt obliged to write a report condemning the practice of non-government agents collecting contributions and promising swift justice for offenders. “Instigated by the running dogs of the imperialists, [offenders] are purposely trying to destroy governmental policy,” Mao thundered. Only government officials in Dihua had a right to make use of Xinjiang’s ephemeral floating capital.⁶⁴

⁶² Xinjiang Wei-wu-er zizhiqu dang’anju, Zhongguo shehui kexueyuan bianjiang shidi yanjiu zhongxin, and “Xinjiang tongshi” bianzhuang weiyuanhui, eds., *Kang Ri zhanzheng shiqi Xinjiang ge minzu minzhong kang Ri mujuan dang’an shiliao* (Urumqi: Xinjiang renmin chubanshe, 2008) 31

⁶³ *ibid* 121

⁶⁴ “Caizhengting guanyu jinzhi xiang minzhong juankuan de tongling” (MG 29) Zhonggong Xinjiang Weiwuer zizhiqu weiyuanhui dangshi gongzuo weiyuanhui, ed.

Mao Zemin's attempts to resolve the issue of generating the revenue needed to undertake the reconstruction of Xinjiang and simultaneously repay the staggering Soviet loans went a long way towards cutting off one of the heads of the Hydra that was Xinjiang's financial system. Yet, another equally imposing set of gnashing teeth remained: the province's currency. Officials in the province had been grappling with the question of how to create a stable currency system in Xinjiang without a steady stream of silver or gold into the province since the late Qing period. It was now Mao's term to grapple with this beast.

The first step in this process was to put Xinjiang long-tortured provincial *tael* out of its misery. Bruised and battered by Yang, Jin and finally Sheng's liberal use of the printing press, Mao saw it as his duty to dispatch the currency. At the third meeting of the Nationalities Representatives Congress convened in October 1938, Mao unveiled his new currency reform plan. As one former aid remembered, in a flashy presentation Mao produced stacks of gold, silver, and other valuables from the provincial treasury and announced his intention to eliminate the haggard Xinjiang *tael* and replace it with a new provincial *yuan*. He called on representatives to return to their localities and announce the province's new buy-back plan, which allowed citizens to exchange their old *taels* for new *yuan* at a rate of 2,000 to one for a limited amount of time.⁶⁵ Mao hoped that the buy-back plan would result in the accumulation of 300,000,000,000 in the former

Kangri zhanzheng shiqi zai Xinjiang caijing zhanxianshang de Zhongguo gongchangdang ren 102

⁶⁵ Liu Dejie, "Mao Zemin zhuguan Xinjiang caizheng shi de cuoshi he gongxian" Zhonggong Xinjiang Weiwuer zizhiwei weiyuanhui dangshi gongzuo weiyuanhui, ed. *Kangri zhanzheng shiqi zai Xinjiang caijing zhanxianshang de Zhongguo gongchangdang ren*, 190

currency, which would then be subsequently burned in order, as he put it to “quickly run a knife through the mess.”⁶⁶ While the exact amount of the currency holocaust is unknown, reports of burnings from all around the province suggest that provincial officials were thorough in their efforts.⁶⁷

In order to strengthen the new provincial *yuan*, Mao summoned all of the currency reserves, precious metals, and valuables he could dig up in the provincial treasury. He accumulated 500,000 silver coins, 3 million Republic of China *fabi*, between 6,000 and 7,000 ounces of gold specie, between 300,000 and 400,000 ounces of silver specie, and assorted jewelry and jade and used this capital as the foundation for the first printing of 10 million new Xinjiang *yuan*. Beginning in 1938, all annual budgets were calculated in the new currency and the recently established Xinjiang Commercial Bank would hold the reserves backing the new currency. In an article published in the province’s *The Anti-Imperialist Front* which was intended to increase support and trust in the new currency, the head of the Xinjiang provincial treasury noted the financial difficulties that the decades of fiscal chaos had wrought on the province’s citizens, but painted a bright fiscal future for the province that was led by the new *yuan*. “Now our new currency will not only put an end to these deficiencies, but it will serve as the foundation for the job of constructing [the province] and will work to improve the lives

⁶⁶ “Mao Zemin guanyu Xinjiang caizheng, jinrong qingkuang zhi Luobu, Zedong tongzhi de xin” 39

⁶⁷ “Kashiqu fenhui jiubi zhengmingshu” (MG 29/1/6) Zhonggong Xinjiang Weiwuer zizhiqu weiyuanhui dangshi gongzuo weiyuanhui, ed. *Kangri zhanzheng shiqi zai Xinjiang caijing zhanxianshang de Zhongguo gongchangdang ren*, 46

of the people. How is that for a difference!” the article gushed.⁶⁸ In order to help safeguard these apparent gains against the problem of greedy provincial governors in the future, in his letter to Yan’an, Mao wrote that he would turn over the long overused currency presses to a newly founded publishing house, the Xinjiang Cultural Press.⁶⁹

In the short term, Mao’s policies appear to have had their intended effect. In a report in 1939, Mao bragged that the price of gold in the province, a good indicator of fiscal stability, was nearly half the price of the year before and that monthly gold prices had remained relatively stable since the currency reforms were implemented. Yet, while finance officials had been successful in sweeping away the old currency, they were not able to fundamentally alter the fiscal dynamic that had dominated Xinjiang since the ending of interprovincial assistance payments to the province 30 years before. The lack of a steady inflow of convertible currency or specie continued to undermine Xinjiang’s markets and while Soviet *rubles* had once acted as a short term drag on the provincial *tael*’s downward spiral, the last Soviet loan had been issued a long two years previous in 1937. While gold and other commodity prices stayed relatively stable throughout 1939, they once again rebounded upward by 1940. Provincial sources indicate that the price for rice climbed steadily upward in 1940, increasing from around one *yuan* in January to 4.40 by the next year.⁷⁰

⁶⁸Gu Feng, “Luetan Xinjiang huobi yange” (1940) in *Fandi zhanxian* 6 reprinted in Zhonggong Xinjiang Weiwuer zizhiqu weiyuanhui dangshi gongzuo weiyuanhui, ed. *Kangri zhanzheng shiqi zai Xinjiang caijing zhanxianshang de Zhongguo gongchangdang ren*, 255

⁶⁹ “Mao Zemin guanyu Xinjiang caizheng, jinrong qingkuang zhi Luobu, Zedong tongzhi de xin” 40

To help counter the troubling shift, Mao undertook aggressive governmental austerity measures, calling for government offices to conserve paper and promote the drinking of hot water instead of tea.⁷¹ But he also called for a greater focus on natural resource exploitation and mining in particular. Drawing on the enthusiasm for gold mining, the Second Three Year Plan called for a 560,613 *yuan* investment in gold mining in the Altai, which, according to Soviet geologists, contained 48 million ounces of untapped gold ore.⁷² A Kazak uprising in the region in 1940 undercut operations in the region, but the wealth of the region's gold ore and its potential for floating Xinjiang's economy prompted a return to the region shortly thereafter in 1942, as Soviet mining specialists with 3,000 Chinese workers who were permitted to keep 30 percent of the ore that they mined once again set up shop in the Altai. These operations too yielded few massive strikes, and the operations devolved into small-scale decentralized prospecting by that first summer.⁷³

For Mao and other officials in the late 1930s and early 1940s, the real focus was on the production of oil in order to generate external revenue. The Japanese invasion of China and the increasing tensions in Europe in the late 1930s caused the global cost of oil to skyrocket once again. Pressed by their Soviet advisors and patrons to turn toward oil production and seeing the potential that fossil fuels could have in floating Xinjiang's

⁷⁰ Zhang, *Xinjiang fengbao qishinian*, vol. 8, 4423-4424

⁷¹ "Zonghui jiguan jieyue jingsai gongzuo jihua" (3/13/1941) Gongqingtuan Xinjiang weiwuer zizhiqu weiyuanhui, ed. *Xinjiang minzhong fandi lianhehui ziliao huibian* (Urumqi: Xinjiang qingshaonian chubanshe, 1986) 337

⁷² Zhang, *Xinjiang fengbao qishinian*, vol. 8, 4675

⁷³ *ibid*

economy, Mao and Sheng sought to use the valuable mineral to purchase some important fiscal breathing room. Oil operations in the region had been underway since 1935, but like his forays into gold production, Sheng's approach to the exploitation of the region's oil reserves was undertaken on a fairly small scale with limited amounts of central government investment.

Simply put, Xinjiang alone was not in a financial position to make the necessary investments in the region's oil wealth. In fact, in the late 1930s, only the Soviet Union was in such a position to make the substantial investments that the Dushanzi oil fields needed to kick start production and begin generating the revenue needed to put Xinjiang on a stable fiscal course. For Stalin and other Soviet officials, however, investment in Xinjiang's mineral production was not a top priority. Xinjiang was seen as a cash cow for the USSR not in its ability to produce minerals, but rather as a strategic regional ally and an engine for light industry. This would change, however, as the Soviet Union began to feel itself being sucked into the war sweeping across Europe. Like China and Chiang Kaishek, the Soviet Union and Stalin began to see Xinjiang as a potential "rear area" for their own looming war effort. They hoped that a comparatively small investment of *rubles* into Xinjiang's ore fields and industries would yield large results for the war against fascism. Far from Germany, Italy, or Japan, Xinjiang with its vast reserves of oil, tungsten, beryllium, and even uranium found itself being pulled into the war effort, not as a transport bridge, but as a producer. Its fiscal independence, which Mao Zemin and others sought to cultivate was about to be destroyed once and for all by wartime.

Centralizing Control Over Xinjiang's Minerals

The year 1940 marked a moment of transition in Xinjiang. That year, Soviet officials sought to make a much more direct claim to the province's mineral wealth and incorporate it into the Soviet industrial machine now quickly gearing up for war with Hitler. Once content with extracting Xinjiang's lucrative hides, wool, and cotton for use in their light industry enterprises, as the clouds of war gathered over the Soviet Union, Xinjiang became much more attractive as a potential Soviet "rear area," a place for which they could uncover desperately needed war minerals like oil, tungsten, and beryllium. The shipments of goods along northern Xinjiang's highways slowed to a crawl, eventually stopping abruptly in 1941. Scholars have often pointed to the Soviet alignment with the Axis powers in 1939 with the Ribbentrop Pact and the Finnish Winter War as the reason for the stark shift. Yet the argument can also be that it was the spreading of the war and the need to establish control over scarce war materials prompted the shift in Sino-Soviet relations.⁷⁴ The expansion of the war transformed the province as it emerged as a potential rear area for the Soviet Union as well as the Republic of China. The province's minerals figured prominently in wartime national development planning for both powers.

The looming threat of war with Germany and the potential for war with Japan prompted a shift in Soviet planning and shaped its relations with China and also with Sheng Shicai. The signing of the Molotov - von Ribbentrop Non-Aggression Pact between the Soviet Union and Germany on August 23, 1939 served as some level of security against an imminent German attack and Stalin felt secure enough in his position

⁷⁴ See Garver, *Chinese-Soviet relations*

to commence with the Soviet invasion of Finland in the so-called “Winter War” in late November of 1939.⁷⁵ The growing realization that Hitler had his eyes set on the conquest of the Soviet Union, however, prompted Stalin to begin ramping up the Soviet industrial war machine to meet the looming challenge from the west. The signing of the Tri-Partite Axis Agreement in September 1940 and later the breakdown in a new round of negotiations with Ribbentrop in November 1940 led Stalin to the conclusion that Germany was gearing up for an eastern advance.

By 1940, the pledges of mutual support between Chiang Kaishek and Stalin were beginning to fray as the Sino-Soviet relationship withered in the face of the seemingly never ending war. The once steady flow of war materials across northern Xinjiang was beginning to steadily taper off. A certain degree of tension undergirded the commercial relationship since the beginning, as Soviet officials had long complained about the *ad hoc* nature of China’s requests for material, and the sheer volume of goods often overburdened Soviet logistical capabilities. At the same time, high level Soviet officials felt that their Chinese counterparts were not operating in good faith in their exchanges for raw materials, and pointed to the fact that Chinese shipments of tungsten, a mineral essential for war production, to Germany outstripped shipments to the Soviet Union more than two to one as late as 1939.⁷⁶ There was dissatisfaction on the Chinese side as well. Reports frequently complained that the prices assigned to the Chinese natural resource shipments that were being exchanged for war materials was well below market prices.

⁷⁵ See: Garver, *Chinese-Soviet relations* 99-104

⁷⁶ *ibid* 41-48

Chinese estimates found that Soviet pricing lists undervalued various goods by well more than 50 percent, finding that they had undervalued camel hair by 12 *yuan* per *dan*, wool prices by 18 *yuan* per *dan*, and silk by 200 *yuan* per *dan*. As China's Trade Commission wrote in a 1940 report, "prices offered by the Soviets are too far away from the lowest market prices, the resulting burden on the national treasury is huge."⁷⁷

Beginning in 1940, there was a marked slow-down in the Soviet Union's fulfillment of Chinese aid requests.⁷⁸ Problems often plagued delivery, and diplomatic interaction was dominated by Chinese requests for government investigation into missing material shipments. The last major shipment of goods, which consisted of around 300 truckloads of equipment was shipped into the eastern Xinjiang town of Hami throughout the first half of December 1940. The trucks returned to Soviet territory carrying tin, tungsten, wool, and hides.⁷⁹ In January 1941, Nationalist government officials received a telegram from their Soviet counterparts announcing that critical "war industry material" could no longer be included in request lists.⁸⁰ A massive slow down in aid shipments throughout 1941 stymied Chinese diplomats who desperately sought to press their Soviet

⁷⁷ "Kong Xiangxi fusong Zhong-Su jiekuan 1941-1942 niandu huankuan waijiaobu jingguo deng zhi xingzhengyuan kuaiyoudai dian" (1/23/1942) 630-632

⁷⁸ See Garver, *Chinese-Soviet relations* 104-108

⁷⁹ Shao Lizi, "Chushi Sulian de huiyi" in *Wenshi ziliao xuanji*, national edition, vol. 60, 188

⁸⁰ "Junshi weiyuanhui canmou zongzhang He Yingqin zi Chongqing cheng Jiang weiyuanzhang baogao xiang Sulian dinggou di sipi junxie jingguo qingxing baogao" (MG 30, 3/28) in Zhongguo Guomindang Zhongyang weiyuanhui dangshi weiyuanhui bianyin, ed. *Zhonghua Minguo zhongyao shiliao chubian* 533. It is unclear what exactly constituted war industry material, as the first aid request following the notification (and ultimately the final request) included a request for hand grenades, machine guns, and assorted bullets.

counterparts for assistance on par with previous levels. Finally, on October 24, 1941 the Soviet Union officially announced that it was suspending all aid shipments to China, and the last convoy of trucks trickled into Xinjiang four days later.

The German invasion of the Soviet Union transformed the Sino-Soviet relationship and not for the better, as both sides sought to scrape together the meager resources needed to wage their respective wars. A Chinese representative traveled to Almaty in 1941 to inquire into a case in which three tons worth of airplane parts and weapons purchased and on their way to Lanzhou had been lost in route. According to a Soviet foreign ministry report, after arriving in the city, the representative was unceremoniously informed that because of the German invasion of the Soviet Union, the materials had been seized and were being redeployed in the Soviet war effort.⁸¹ Chinese requests for more war material were met with stern rebuffs which emphasized the seriousness of the German threat and the need for the Soviet Union to focus their efforts on consolidating their resources in the west to repel this existential threat. The Ministry of Foreign Affairs official C.A. Lozovsky chastised the Chinese ambassador Shao Lizi in a March 24, 1942 meeting in which they discussed the possible import of material across Iran, Soviet Central Asia, and into Xinjiang. He exclaimed, “Ambassador you need to understand clearly that now all of the armies of Europe are standing against Hitler and these armies doing battle need us to consolidate all of our resources.”⁸² For the Soviet

⁸¹ Translated Soviet archival source: “Zhongguo gei Sulian de zhaohui: xiang Zhongguo gongyun wuzi de wenti” (8/9/1941) Reprinted in: *Eguo jiemi dangan: Xinjiang wenti*, 78

⁸² Translated Soviet archival source: “Luo zuo fusiji yu Shao Lizi huitan jilu: guojing yunshu, Su-Ri guanxi deng” (4/11/1942) Reprinted in: *Eguo jiemi dangan: Xinjiang wenti* 85-85

Union, the need to consolidate resources and to begin ramping up to an all out war footing necessitated drawing on various sources for critical wartime materials. For this they set their sights on squeezing every possible source for the minerals needed to keep its armament factories running. Included on this list was Xinjiang.

Soviet geological surveying teams had been scouring Xinjiang for its mineral wealth in the year's since Sheng's ascension to power in 1933. A geological team discovered Altai's vast beryllium reserves in 1935; that same year, another team investigated the oil and gas resources around Yili as well as the southern edge of the Zunghar basin were investigated; a series of expeditions pinpointed metal deposits in southern Xinjiang particularly in the Kunlun mountains in a series of expeditions in 1935 and 1936; geologists undertook a vast oil survey of Dushanzi in 1937; teams uncovered the rich tungsten and copper deposits around Yili that same year; and a different team discovered the tungsten deposits in the vicinity of Wenchuan county in eastern Xinjiang the next year.⁸³ Through the collective efforts of the Soviet Union's geological community, geologists and economic planners pieced together a large scale geological map which presented a new mineral rich image of the province by 1940.

In the summer of 1940, Sheng Shicai unleashed yet another substantial purge of his provincial bureaucracy, labeling large swaths of once loyal cadres anti-Marxist counter-revolutionaries. While Moscow may have been willing to go along with Sheng's paranoid machinations three years previous in 1937, the 1940 purge was a bridge too far and Stalin and Molotov directly expressed their skepticism of the charges to Sheng

⁸³ Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di jiu juan (xia), dizhi kuangchan zhi* (Urumqi: Xinjiang renmin chubanshe, 1999) 798-801

himself in telegrams.⁸⁴ Sheng sought to redeem himself in the eyes of the Soviet leadership through a series of fawning communiqués seeking to convince Soviet leaders of his loyalty by urging their direct incorporation of Xinjiang into the USSR and also calling for the overthrow of Chiang Kaishek and the annexation of China itself.⁸⁵ Stalin and Molotov had other plans, however, none of which were related to tying an embattled China or an impoverished Xinjiang around their necks.

Instead, in 1940 the Soviet Union sought direct and free access to Xinjiang's mineral and natural resource wealth. Stalin was supported by the Soviet military presence in the province which helped remind Sheng of his position. Two Red Army garrisons were stationed in Xinjiang: one in Hami in the eastern part of the province and the other was stationed just outside of the provincial capital of Dihua in order to protect a Sino-Soviet fighter plane factory there.⁸⁶ Backed up by all of this steel, in November,

⁸⁴ Cai, *Sheng Shicai zai Xinjiang* 311-312

⁸⁵ In order to ensure the two Soviet leaders of his loyalty, in a fawning January 1941 telegram sent to Moscow, Sheng noted that with Chiang Kaishek and the British government's hands being full with the war effort, now was the perfect time for a Soviet take-over of China itself. Sheng suggested that Xinjiang take the lead in this process, calling for "Xinjiang to push forward China's path toward Sovietization." The plan was tersely rebuffed by Moscow. See: "Jiang weiyuanhui zai Chongqing jiejian Sulian zhu Hua dashi Panyouxin tingqi baogao Sulian zhengfu dui Xinjiang Sheng duban zhi taidu bing biao shi dan guanyu Xinjiang zhishi ying yu wo zhongyang zhengfu zhijie jiaobu buke yu Sheng duban jingxing tanpan tanhua jilu (MG 31, 7/9) in Zhongguo Guomindang Zhongyang weiyuanhui dangshi weiyuanhui bianyin, ed. *Zhonghua Minguo zhongyao shiliao chubian* 437

⁸⁶ The second garrison included around 1,500 soldiers, 20 tanks, and several dozen planes. "Xinjiang bianfang duban Sheng Shicai zi Dihua cheng Jiang weiyuanzhang baogao Sulian zhu Dihua zongling shi xianhou gaozhi feng Su zhengfu zhi mingtong zhi geshi baoqing jianhe baogao" (MG 32, 4/17) in Zhongguo Guomindang Zhongyang weiyuanhui dangshi weiyuanhui bianyin, ed. *Zhonghua Minguo zhongyao shiliao chubian* 448; "Hangkong weiyuan zhuren Zhou Zhiliao zi Chongqing cheng Jiang weiyuanzhang baogao fengming wang Dihua he gou Sulian zai Di zhi feiji zhuangzao

two old, trusted Soviet Xinjiang hands arrived at Sheng's office in Dihua with an offer they did not allow him to refuse. Stalin himself ordered the delegation, it was later reported by Sheng, to put a new agreement allowing the Soviets direct and unfettered access to Xinjiang's mineral wealth, with a particular focus on tin and other critical war related minerals into Sheng's hands and force him to sign.

The proposal gave Soviet geologists unrestricted access to Xinjiang's landscape, allowed for the construction of transportation infrastructure whenever and wherever it pleased the Soviet Union, and allowed for the mass export of Xinjiang's natural wealth with little or no input from provincial authorities. The agreement was to last for fifty years and Stalin's handpicked delegates insisted that it was fundamentally non-negotiable. Sheng reported later that when he protested against the aggressive nature of the agreement, suggesting it smacked of imperial occupation, the delegates rebuffed him, pointing to all of the Soviet blood spilled in the battles against Ma Zhongying in 1934 and proclaimed definitively, "this is not a debate over ideology, we came here to fix a problem." Indeed, later Soviet officials would justify their foisting the agreement on Sheng who had joined the Soviet Communist Party on a trip to Moscow in 1938, saying that it was necessary to gain access to minerals needed in the fight against fascism and as a member of the Party, it was his duty to sign.⁸⁷ They gave him one day to sign without negotiation and did not allow him to consult with anyone before he did so. According to Sheng's own account published much later, he felt compelled to agree, fearing that not

chang shebei jingguo baogao" (MG 32, 8/2) Zhongguo Guomindang Zhongyang weiyuanhui dangshi weiyuanhui bianyin, ed. *Zhonghua Minguo zhongyao shiliao chubian* 451

⁸⁷ Allen Whiting and Sheng Shih-ts'ai, *Sinkiang: pawn or pivot?* (East Lansing: Michigan State University, 1958) 244-247

doing so would have risked a war with the Soviet Union that would have resulted in China's loss of the province to the Soviet Union once and for all.⁸⁸ In the end, on November 26, 1940 the "Secret Agreement for the Leasing of Xinjiang's Tin Mines," or the "Xin-Tin Agreement" as it is more commonly known in the West, formalized a Soviet claim to the province's mineral wealth and provided it the legal justification to access it directly.⁸⁹

Under the new agreement, the Soviet Union began to access the province's minerals and incorporate them into their new industrial war machine at will. Despite the agreement's stated focus on tin, Soviet economic planners focused their sights on other non-precious but vital wartime industrial minerals. Tungsten was a particularly valuable mineral in wartime, as it was a critical steel alloy used in the production of armoring for tanks, planes, and ships. It was also in short supply in European markets and the value of the mineral had exploded globally in the run up to war. Having discovered substantial tungsten deposits at three sites in Wenchuan county, located only a stone's throw from the Soviet border, by April of 1941, tungsten operations in the region were already up and running with 60 onsite Soviet engineers overseeing the labor of more than 3,000 laborers. According to Chinese accounts of the enterprise, the Soviet operations in

⁸⁸ See Sheng's July 7, 1942 "confession" to Chiang Kaishek" *Waijiaobu dang an congshu jiewulei di sance Xinjiang juan (yi)* (Taipei: Waijiaobu bianyin, 2001) 29. We might call into question Sheng's supposed patriotism, considering the fact that the archival record shows that he himself would directly offer Xinjiang up to Stalin one year later.

⁸⁹ Cai, *Sheng Shicai zai Xinjiang* 318-322

Wenchuan resulted in the extraction and export of more than 5,000 tons of precious tungsten ore.⁹⁰

It was Xinjiang's nascent oil industry however which was thoroughly transformed by the Soviet Union's newly aggressive mineral extraction policy. The oil fields of Dushanzi in particular went from becoming an oil region with tremendously untapped oil production potential, into an important oil producing center. The increasing investment in operations gradually increased production in the region's oil fields and attracted substantial attention from inside and outside of the province. Quoting a report from a Soviet geologist, Sheng noted that the province's oil wealth was substantial. "Southern Xinjiang's oil is outstanding, and the quality of northern Xinjiang's oil, especially at Kucha and Dushanzi, is better than Soviet oil at Baku and at any of the American oil production sites," he wrote.⁹¹

In the summer of 1935, one member of an early provincial geological expeditionary team from Dihua to Dushanzi recalled that a Soviet geological team arrived to great fanfare in Dushanzi. The Soviet team, led by the geologist I. Saidov, had been asked by Sheng to conduct a full-scale survey of the area and their work confirmed preliminary reports and resulted in the establishment of a more permanent extraction enterprise. New oil surveying expeditions, and ultimately the establishment of a joint Soviet-Xinjiang operated company began in Dushanzi in October 1936. The company,

⁹⁰ Mi Taiheng, *Xinjiang kuangchan jilue* (Lanzhou: Jingjibu Zhongyang dizhi diaochasuo xibei fensuo, 1942) Unpublished report: Document 2857, Central Geological Survey of China Information Office, Beijing, P.R.C.

⁹¹ Soviet Occupation of China Collection (5) (MG 31, 11/20): Document 002-090400-008-125, (Academia Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C.)

which was founded by oral agreement rather than a formalized written contract, was administered by a Xinjiang appointed “manager” and several administrative workers, but the bulk of the technical positions including engineers, accountants, and geologists were supplied by the Soviet Union.

By 1937, there was still not much to show for the efforts of geologists and laborers in Dushanzi and the project’s annual 1.5 million provincial *tael* budget.⁹² A handful of oil gushers throughout 1937 prompted the provincial government to tinker with the bureaucratic oversight of the region, eventually turning over its administration to the Office of Transport in the province.⁹³ Ultimately, however, none of the fifteen wells drilled during the late 1930s and the handful of visually spectacular gushers lived up to their promise. In fact, most quickly petered out, as the imported Soviet drills could only tap into oil pockets between 120 and 360 meters deep, depths that proved too shallow to produce a sustained supply of crude oil to fuel the refineries in the region.⁹⁴ While the first successful wells produced a not insignificant 10 tons of oil per day, these amounts quickly fell to 1 to 2 tons daily at most. As one Chinese geologist pointed out a few years later, “some of these wells produced a certain quantity of oil at first, but ceased to do so one or two years later.”⁹⁵ Despite the slow production, geologists were in full agreement about the oil producing potential held by the region. There was also a clear

⁹² Zheng Guofeng, ed. *Dang'an zhong de Kelamayi* (Urumqi: Xinjiang renmin chubanshe, 2008) 11, 12

⁹³ *ibid*, 10-12

⁹⁴ Huang Jiqing, “Report on geological investigation of some oil-fields in Sinkiang” (English version) in *Dizhi huibao* (English title: Geological memoirs) Series A, no. 21 (Feb. 1947) 40

⁹⁵ *ibid*

understanding that if that potential was to be realized, a substantial investment in drilling operations would have to be made.

The priority placed on oil production by the Soviet Union in the early 1940s served to transform Dushanzi. The prospect of creating an oil producing capital deep in the heart of Central Asia and far from the range of German panzer divisions and long distance bombing raids was one too attractive to pass up for Stalin and other Soviet officials. A team of Chinese officials who investigated Dushanzi in 1942 estimated that the total investment in the facility topped 3 million dollars, the vast majority of which was provided by the Soviet Union.⁹⁶ According to the *ad hoc* agreements between Sheng and the Soviet Union, drilling equipment and salaries for Soviet personnel employed on site were to be fronted by the Soviet Union and repaid by the Xinjiang government, while the costs for non-Soviet manual laborers and local purchases were to be covered by funds provided by the province's finance office. Capital and profits from the enterprise were to be split fifty-fifty between Xinjiang and their Soviet partners, though with the lack of capital in the province, the bulk of Xinjiang's investment in the enterprise would be

⁹⁶ Weng Wenhao, *Xinjiangsheng Dushanzi youkuang shicha baogao* (7/1942) Unpublished report: Document 3684 (Central Geological Survey of China Information Office, Beijing, P.R.C.); SSC estimated that he invested 4 million yuan of precious currency into operations at the site. Subsequent investigations found that that number was too high and that total investment was probably only around 1 million USD, see: Soviet Occupation of China Collection (5) (MG 32, 5/26): Document 002-090400-00008-204 (Academia Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C.)

fronted by the Soviet Union through loans and paid back with its share of the oil being produced.⁹⁷

In 1941, five steam powered oil drills capable of running at 300 horsepower were imported from the Soviet Union and allowed for substantial increases in oil production in the region.⁹⁸ Throughout that year, eight wells were drilled in Dushanzi which reached a depth ranging of 560 meters to 1,107 meters with one non-producing prospecting well reaching depths of 1,453 meters. By 1941, the operation drilled a total of seventeen operating wells in the area and a total of 33 wells altogether had been drilled since 1936. The Soviet Union also imported the refining equipment and, according to experts from Chongqing sent to investigate the area in December 1942, it was high quality and modern.⁹⁹ Indeed, despite the relative success of the mining operations, the refining equipment vastly outstripped the production capabilities of the mine, as it was said to be capable of refining 240 tons of crude oil daily, an amount far exceeding the 30 tons daily being produced in the spring of 1942.¹⁰⁰

To solidify the linkages between this rugged out-of-the-way region and Dihua, a telephone line was set up especially to connect Dushanzi to the province's nascent

⁹⁷ The mine was administered without a general agreement for much of its history and only in 1942 was an agreement drawn up between the Soviet Union in Xinjiang on shared costs and distribution of oil production.

⁹⁸ Weng, *Xinjiangsheng Dushanzi youkuang shicha baogao* 6

⁹⁹ Huang, "Report on geological investigation of some oil-fields in Sinkiang" 41-42

¹⁰⁰ Huang Jiqing, *Xinjiang Wusuxian Dushanzi shiyou ji meiqi kuangchuang shuomingshu* (1943) Unpublished report: Document 743 (Central Geological Survey of China Information Office, Beijing, P.R.C.) Other reports suggest that a month's worth of oil production from Dushanzi's wells could be refined completely in four or five days and so the area's refineries were often not being used, see Huang, "Report on geological investigation of some oil-fields in Sinkiang" 42-43.

network. A system of pumps and water pipes connected the site to the nearest water source -- the Kuitun River -- located more than 20 miles away as well as an auto road linking the oil drilling site to the province's transport network and allowed for large tanker trucks to efficiently ship crude oil out of this out-of-the-way region.¹⁰¹ In addition to lines connecting the site to Dihua, Dushanzi was also linked into the Soviet communication network by road, wireless, and telephone.

There were 158 Soviet engineers deployed on site. These workers, who lived with 160 or 170 members of their families in four barracks constructed not far from the oil fields, were said to enjoy average wages of between 80 and 300 US dollars per month, a relatively high salary based on the fact that most had experience in the Soviet oil fields at Baku.¹⁰² While the government in Dihua appointed the so-called "plant manager" (*changzhang*), according to Chinese official reports, this position, which appears to have been held by a succession of Sheng's cronies also hailing from China's northeast, was a position of largely symbolic power. A report from the Nationalist Minister of Economic Affairs Weng Wenhao in 1942 suggested that the manager only "assisted in general affairs" and in a separate report that "he had no real power."¹⁰³ Instead, according to Weng who made a personal investigation of the oil well at Chiang Kaishek's request in

¹⁰¹ Wang Lianfang, "Jiu Zhongguo Xinjiang shiyou dashi nianbiao" in *Xinjiang shiyou gongye shiliao xuanji* (Urumqi: Xinjiang nongkeyuan yinshuachang, 2005) 23-24

¹⁰² Weng, *Xinjiangsheng Dushanzi youkuang shicha baogao*, 9

¹⁰³ See Weng's telegram to Chiang Kaishek: Soviet Occupation of China Collection (5) (MG 31, 7/17) Document 002-090400-00008-112 (Academia Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C.); see also: Weng, *Xinjiangsheng Dushanzi youkuang shicha baogao*

July of 1942, the real power was held by the Soviet Chief Engineer, who was appointed directly from Moscow.¹⁰⁴ In addition to the Soviet experts employed at Dushanzi, in a July 1942 investigation of the region, Nationalist officials reported that there were 1,000 Han and Uighur laborers also working in the oil fields, each of whom earned 50 Xinjiang *yuan* monthly not including the forty or fifty *yuan* worth of food provided in the mess hall.¹⁰⁵

According to Chinese geological reports, the crude oil being extracted from Dushanzi was of a high enough quality that it could be refined into gasoline or even into high octane aviation fuels. Indeed, in the first half of 1942, the Dushanzi oil field produced 100,000 gallons of gasoline and 100,000 gallons of lamp oil.¹⁰⁶ The distribution of gasoline was controlled by Sheng Shicai's Office of Military Affairs, which set oil prices for internal sales at 65 *fen* (there are 100 *fen* in one *yuan*) per gallon for military use and for commercial use in Dihua oil sold for two *yuan* per gallon.¹⁰⁷ There is no available data on oil exports out of the province whether to China or to the

¹⁰⁴ *ibid*

¹⁰⁵ Weng, *Xinjiangsheng Dushanzi youkuang shicha baogao*; Other reports from Nationalist officials place the number of Soviet workers at only 120 and slightly more than 800 Chinese workers and managers. See Huang, *Xinjiang Wusuxian Dushanzi shiyou ji meiqi kuangchuang shuomingshu*. It is not clear if this discrepancy is a product of the fact that Weng's initial report was written nearly five months earlier, or if he lacked specific access to plant records.

¹⁰⁶ *ibid*, Nationalist officials point out that oil production at Dushanzi is less than those being produced at oil sites in Yumen or other sites in Gansu province

¹⁰⁷ Also, lamp oil distribution and sale was overseen by the Office of Finance in the province. Weng, *Xinjiangsheng Dushanzi youkuang shicha baogao* 9; See also, Wang, "Jiu Zhongguo Xinjiang shiyou dashi nianbiao" 26-27

Soviet Union but evidence suggests that refined crude that was not used in the province was sold to the Nationalists for the war effort and added to the Soviet aid tallies.

While oil production had not yet grown to amounts that could rival production sites elsewhere in the region, officials in the Soviet Union and indeed in China had high hopes for future production. In his July 1942 report to Chiang Kaishek, Weng suggested that the oil drilling enterprises at Dushanzi were quite promising. Overall oil production remained comparatively low, but not all of the newest extraction equipment purchased and imported into the area had been fully integrated into operations, he pointed out. Not only that, the understanding of the local geology was still in its infancy, as the Chinese plant manager Wen Zixuan told Weng in 1942, “the primary problem is that the geology is complex and is difficult to choose a place to drill.”¹⁰⁸ Optimistic reports from various Nationalist agents in 1942 and 1943 all suggested that if given the opportunity, Xinjiang’s Dushanzi oil field could serve as a major oil producer for China. In a report based on a late 1942 expedition to Dushanzi the well known geologist Huang Jiqing suggested that the oil produced in Xinjiang could be increased by as much as seven times with very little effort, producing amounts of crude that could at the very least could be sufficient to meet the province’s own oil and gas needs.¹⁰⁹ Other reports were even more optimistic. Weng Wenhao suggested that Xinjiang’s oil production could be drastically increased and with improvements in the province’s transport links to Free China, Dushanzi would be able to produce more than 1,000 gallons of crude daily for China’s

¹⁰⁸ Soviet Occupation of China Collection (5) (MG 31, 7/17) Document: 002-090400-00008-112 (Academia Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C.)

¹⁰⁹ Huang, “Report on geological investigation of some oil-fields in Sinkiang” 45

war effort.¹¹⁰ With minimal effort and investment, the province could be linked into a vast northwestern oil producing corridor stretching from Shaanxi in the east, across Gansu and into Xinjiang in the far west. This vision was a part of a broader wartime strategy and was also a component of a vision of national rejuvenation with its eye set on the post-war world.¹¹¹

Wrangling Over Resources

This future, however, depended on first gaining control of this long wayward province, an opportunity that would emerge in 1942. On June 27, 1942, Sheng Shicai received a troubling telegram from the Soviet Foreign Minister Molotov informing him that Soviet Vice Commissar for Foreign Affairs Vladimir Dekanozov would soon be arriving in Dihua “in order to resolve the Dushanzi oil field issue and other important problems.”¹¹² Sheng had reason to be concerned about these “other important problems.”¹¹³ For much of the past two months he had been involved in various cloak and dagger schemes to wrest control of the province and its mineral wealth from the Soviet Union and redirect it toward the Republic of China. In a May 10 letter to Stalin and Molotov, Sheng had leveled serious charges against the Soviet Consul in Dihua

¹¹⁰ Weng, *Xinjiangsheng Dushanzi youkuang shicha baogao* 11

¹¹¹ Wu Aichen, *Xinjiang jiyou*; See also, Wang Lianfang, “Sanshi niandai Xinjiang shiyou shiye de rexin changfuzhe – Wu Aichen” in *Xinjiang shiyou gongye shiliao xuanji*, 137

¹¹² Dekanozov was known to also be a member of NKVD

¹¹³ According to Sheng Shicai’s memoir, the Soviet official came bearing a new written agreement for the exploitation of Dushanzi to replace the 1935 “oral agreement” that would not stand up to any degree of scrutiny.

Bakunin, the Soviet military attaché Latoff, and various other high ranking Soviet advisors and officials stationed in the province. In his reply to Sheng, Molotov had rejected his accusations, and suggesting instead that he was simply looking for a pretext to "sow discord." Considering his long track record of purges and counter-purges, this most recent round of accusations of tried and true cadres was viewed as nothing more than paranoid scheming, "we the Soviet government have finally woken up," Molotov rumbled.¹¹⁴ Knowing that the Soviet official was not traveling to Dihua as a social call, Sheng desperately cabled Chiang Kaishek, asking him to send various high ranking officials to Xinjiang to investigate Dushanzi and put together a new Sino-Xinjiang agreement that would be capable of protecting him from the Soviet wrath.¹¹⁵ His cable only formalized a switch that had been underway for a few months.

According to Sheng Shicai's mainland biographer Cai Jinsong, Sheng's decisions to turn his back on his Soviet sponsors was in large part personal. Cai contends that Sheng's reversal was a response to his belief that Soviet agents had played a leading hand in his younger brother Sheng Shiqi's death. Cai argues that Soviet agents tricked the younger Sheng's wife to murder him and then covered up her act as a suicide. Learning of the plot, Sheng Shicai turned on the Soviet Union.¹¹⁶ Yet, while the death of his

¹¹⁴ See Molotov's letter, Translated Soviet archival source: "Mouluotuofu zhi Sheng Shicai han: Su-Zhong guanxi ehua" (7/3/1942) Reprinted in: *Eguo jiemi dangan: Xinjiang wenti* 87; for a copy in Chinese archives, see: Zhongguo Guomindang Zhongyang weiyuanhui dangshi weiyuanhui bianyin, ed. *Zhonghua Minguo zhongyao shiliao chubian* 435

¹¹⁵ Shilue Gaoben Collection (MG 31, 6/27) Document: 002-060100-00165-027, (Academia Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C); See also Cai, *Sheng Shicai zai Xinjiang* 339-343

brother surely played a role in prompting his emotional shift in orientation, it seems fairly clear that it was also a product of a cold rational logic. Indeed, by 1942 the Soviet Union appeared to be on the verge of being devoured alive by the German offensive in the western half of the country. From September 30 to December 5, 1941 alone the Soviet Union suffered 500,000 casualties, had 673,000 soldiers captured, and lost 1,242 tanks and 5,412 artillery pieces. During the spring of that year, the seemingly decisive battle of Stalingrad teetered and it was unclear who would emerge victorious.¹¹⁷ Watching the parallel slow-down in Soviet aid payments to sites like Dushanzi, Sheng sought out another potential suitor with deep pockets.

With the recent entry of the United States into the war in December 1941 and the renewed confidence that grinding down the Japanese was now only a matter of time, Chiang Kai-shek and the Nationalists in Chongqing seemed to Sheng to be the most suitable replacement for Soviet patronage. While they may have been located farther away over more rugged roads, they still appeared to be a viable option to support the province. After a relatively short period of courtship, by late June of 1942 Sheng Shicai was actively seeking cover from Chinese advisors and singing the praises of Chiang and the Nationalists. At a July 3 banquet for an 18 person delegation from Chongqing which included several high ranking officials, Sheng recited an emotional poem for his visitors from China which hinted at his new relationship with the Nationalist party. “Rearing up

¹¹⁶ Cai, *Sheng Shicai zai Xinjiang* 326-339; Molotov in his letter intimates that it was Sheng himself who murdered his own brother to fuel his own ambitions. See also, Translated Soviet archival source: “Mouluotufu zhi Sheng Shicai han: Su-Zhong guanxi ehua” 87

¹¹⁷ Data from Cai, *Sheng Shicai zai Xinjiang* 325; The Soviet scholar Barmin argues that the shift was fully a product of Sheng’s perfidy and greed. See Barmin, V.A, *SSSR i Sin’tszian, 1941–1949* (Moscow: Barnaul 1999) 13

my horse at Wu Mountain, I think of the old days when the areas outside of the Great Wall were connected [to the center] like strands of hairs on one's temples/ and of a time when one always acted without responsibilities, it is excellent that all of the territories shield and sustain one another," he intoned.¹¹⁸

Six days later back in Chongqing, Chiang received the Soviet ambassador who presented him with Molotov's original letter to Sheng in which he details all of Sheng's machinations including several calls for the Soviet Union to directly annex Xinjiang, conquer China, and even assassinate Chiang himself. Without reaction, Chiang accepted the letter and politely informed the ambassador that in the future, "regarding the Xinjiang problem, the Soviet government should directly consult China's central government and not Xinjiang provincial government."¹¹⁹ The only thing left for the Chinese and Soviet representatives to negotiate was how to turn over control of the Soviet Union's various interests in the province, including a fighter plane and bomber factory, three saw mills, three power plants, two telephone exchanges, a radio station, a textile mill, and several mechanic shops scattered around the province.¹²⁰ Most importantly, however, were

¹¹⁸ Quoted in Cai, *Sheng Shicai zai Xinjiang* 343

¹¹⁹ Translated Soviet archival source: "Panyouxin yu Jiang Jieshi huitan jiyao: Xinjiang diqu wenti" (7/9/1942) Reprinted in: *Eguo jiemi dangan: Xinjiang wenti* 89; In his report to the Foreign Ministry the Soviet minister notes that he was unable to read Chiang's face as he handed him Molotov's letter and gave the official statement, though he did appear unusually attentive and sought to "grasp every single one of my words." See also "Jiang weiyuanhui zai Chongqing jiejian Sulian zhu Hua dashi Panyouxin tingqi baogao Sulian zhengfu dui Xinjiang Sheng duban zhi taidu bing biaoshi dan guanyu Xinjiang zhishi ying yu wo zhongyang zhengfu zhijie jiaobu buke yu Sheng duban jingxing tanpan tanhua jilu (MG 31, 7/9) in Zhongguo Guomindang Zhongyang weiyuanhui dangshi weiyuanhui bianyin, ed. *Zhonghua Minguo zhongyao shiliao chubian* 435

¹²⁰ Quoted in Barmin, *SSSR i Sin'tszian* 6

Soviet oil enterprises in the region. The Soviet government had invested heavily in Dushanzi and various other ore sites around the province and had been hoping to reap Xinjiang's mineral wealth in time to hold off German forces. Sheng's betrayal, however, and their comparatively weak bargaining position forced them to consider their options and begin negotiating over the fate of these vital enterprises as well.

As of June 1941, only 12 percent of Soviet oil production occurred in regions east of the Ural mountains, the vast majority of the remaining 88 percent came from the Baku oil fields, located on the western shore of the Caspian Sea. Seeing a potential Soviet achilles heel, German military tacticians prioritized the occupation of the oil rich Caucasus and throughout the summer of 1942, Baku seemed poised to fall into German hands. Dushanzi on the other hand, tucked away in northern Xinjiang's Zungar basin appeared to Stalin to be an impenetrable fortress capable of producing oil unmolested for decades if need be. Yet it was not only the Soviet Union that stood to benefit from the expansion of oil production operations at Dushanzi. The occupation of much of China's coastline and ports, by the Japanese severely restricted China's abilities to import oil internationally. As Chiang Kaishek noted in a conversation with the Soviet ambassador Pushkin in 1942, the war effort was being hampered "by a severe lack of gasoline."¹²¹ The fact that the so-called Burma road, connecting China to the port of Rangoon was closed in April of 1942 only added more desperation to their situation. The tremendous potential of Dushanzi was too appealing to either side to dismiss out of hand.

¹²¹ "Jiang weiyuanzhang zai Chongqing jiejian Sulian zhu Hua dashi Panyouxin shangtan guanyu gaishan Zhong-Su shangwu guanxi ji dingli Dushanzi youkuang yu Dihua feiji zhuangzaochang hetong deng wenti tanhua jilu" (MG 31, 10/16) in Zhongguo Guomindang Zhongyang weiyuanhui dangshi weiyuanhui bianyin, ed. *Zhonghua Minguo zhongyao shiliao chubian* 535

Despite being wary of their Soviet counterparts' intentions in the province, the Chinese side hoped to strike a deal with the Soviet Union. Both wanted to take advantage of the extensive geological surveys in the area by Soviet experts and the high tech equipment that they had already imported and set up at substantial cost. On July 16, a week after having received Molotov's letter, Chiang expressed his hope that the initial scientific forays into the province by Nationalist geological teams seeking to account for Xinjiang's mineral wealth would receive the support and aid of their Soviet counterparts. Oil in particular was on Chiang's mind, and he hoped that the two sides "could quickly come to an agreement through Sino-Soviet negotiations" over Xinjiang's oil wealth, noting that "extracting Xinjiang's oil wealth could have benefits for both of our countries."¹²² On July 17, China's Minister of Economic Affairs Weng Wenhao officially asked his Soviet counterparts about the possibility of joint administration of Dushanzi and in a reply to Weng, the Soviet side expressed some support for such an operation. The only question remained how to work out the details of the agreement.

After a series of lower level negotiations over the operation in late 1942 and an initial exchange of draft proposals, the official high level negotiations between the two sides commenced in February 1943 in Chongqing. The Chinese delegation included Weng Wenhao and deputy Minister of Foreign Affairs Wu Guozhen among others. The Soviet side was led by the Soviet ambassador Pushkin and also included the Soviet consul stationed in Dihua, Bakunin. The Soviet negotiators opened the meeting by

¹²² Translated Soviet archival source: "Panyouxin yu Jiang Jieshi huitan jilu: Xinjiang diqu de Zhong-Su guanxi" (7/16/1942) Reprinted in: *Eguo jiemi dangan: Xinjiang wenti* 90

asking for an equal 50-50 ownership split in any operations set up in Dushanzi. The proposal was countered by the Chinese side as being in violation of Chinese laws governing mining rights and they offered a counter which would split the enterprise 51 percent to 49 in favor of China. Similar conflicts also arose over the make-up of the Board of Directors, as the Chinese felt that Chinese appointees should be in positions of authority, while the Soviet side insisted that management be equalized and offered to different sides on a rotating basis. The Soviets appeared to feel that they were in control of negotiations, however, confident in the fact that they provided all of the equipment and technical know-how for the enterprise. Ambassador Pushkin pointed out during the negotiation, “we would like to remind the Chinese side that one of the peculiarities of this enterprise is that no matter whether we are talking about now or in the past, all of the equipment has been provided by us.” He went on to emphasize, “who best know the production particulars, and understands the production capabilities of the enterprise? There is not the slightest doubt that it is Soviet citizens.”¹²³ Yet, the Chinese side felt they too were in a position to dictate terms considering the fact that Sheng had already switched sides and Soviet desperation over the looming occupation of Baku.

Negotiations deadlocked over the two related issues of ownership and management and in a meeting a month later, the issues remained unresolved. After quickly locking horns over the same issues that had foiled negotiations in February, the Soviet ambassador concluded the March 1943 meeting by saying the “problem is quite complex and while we had hoped to reach a quick agreement, it is now clear that this is

¹²³ Translated Soviet archival source: “Panyouxin yu Weng Wenhao tanpan jilu: chengli lianhe shiyou gongsi wenti” (2/18/1943) Reprinted in: *Eguo jiemi dangan: Xinjiang wenti* 98

not possible.”¹²⁴ At least one scholar has suggested that the collapse of Sino-Soviet negotiations over Xinjiang was a product of high level Nationalist policy. John Garver argues in his work on Sino-Soviet relations that Chiang Kaishek and his lieutenants were primarily interested in simply ensuring the quick exit of the Soviet Union and any suggestion conveyed to their Soviet counterparts otherwise was simply disingenuous.¹²⁵ It is certainly true that Chiang and other high ranking Nationalist officials actively discussed strategies for ensuring a swift and complete Soviet exit from Xinjiang.¹²⁶ Yet this planning did not necessarily preclude either a joint agreement or perhaps more favorably the direct purchase of Soviet equipment in the region. Indeed, demanding the full and complete exit of Soviet experts along with their equipment appears to have been a viewpoint held only by a certain group within the higher echelons of the Chinese government, and throughout late 1942 and early 1943, officials in the Ministry of Foreign Affairs and Economic Affairs drew up plans that took joint operations or at the very least the purchase of equipment as a given.¹²⁷ In the final round of negotiations in Chongqing in March 1943, Weng Wenhao raised the prospect of purchasing Dushanzi’s equipment

¹²⁴ Translated Soviet archival source: “Panyouxin yu Weng Wenhao tanpan jilu: chenli Su-Zhong lianhe shiyou gongsi” (3/8/1943) Reprinted in: *Eguo jiemi dangan: Xinjiang wenti* 105

¹²⁵ See Garver *Chinese-Soviet relations*

¹²⁶ Minister of War He Yingqi offered a plan for the recovery of Xinjiang in July, 1942, see: “Junshi weiyuanhui canmou zongzhang He Yingqin zi Chongqing cheng Jiang weiyuanzhang baogao niju shoufu Xinjiang zhuquan fanglue yijian cheng qing jianhe baogao” (MG 31, 7/13) in Zhongguo Guomindang Zhongyang weiyuanhui dangshi weiyuanhui bianyin, ed. *Zhonghua Minguo zhongyao shiliao chubian* 438

¹²⁷ See: “Waijiaobu zi Chongqing cheng Jiang weiyuanzhang baogao nei Jiao Zheng Sufang zai Xin zhi feifa xingdong niju dui Sufang zhenji shishi buzhu cheng qing jianhe dai dian” (MG 31, 10/21) in Zhongguo Guomindang Zhongyang weiyuanhui dangshi weiyuanhui bianyin, ed. *Zhonghua Minguo zhongyao shiliao chubian* 445

in the final moments of the meeting, as Soviet negotiators were preparing to walk out.¹²⁸

That April, receiving news about Soviet intentions to begin a full-pull out of both personnel and equipment from Xinjiang, deputy Foreign Minister Wu Guozhen sought out the Soviet ambassador and expressed his “unparalleled surprise” about this new development.¹²⁹

The interests of Nationalist officials hoping to develop Dushanzi did not coincide with governor Sheng Shicai’s interests on the ground in Xinjiang. The archival record clearly reveals that throughout 1942 and 1943 Sheng, most likely fearing Soviet reprisals for his perceived betrayal, actively sought to poison Sino-Soviet relations to ensure a full and complete pull out of the Soviet contingent in the province. In addition to having accused the Soviet consul and other high ranking officials of nefarious actions in the province in early 1942, he also undertook a vicious campaign of imprisoning Soviet experts, citizens, and anyone affiliated with Soviet administration of the province.¹³⁰

The Soviet ambassador repeatedly complained about the treatment and atmosphere of suspicion surrounding Soviet citizens in the province. In a January 6, 1943 conversation with Sheng Shicai and his newly appointed Nationalist representative in Dihua, the Soviet ambassador indignantly complained that policemen demanded to

¹²⁸ “Panyouxin yu Weng Wenhao tanpan jilu” 105

¹²⁹ Translated Soviet archival source: “Panyouxin yu Wu Guozhen huitan jilu: feijichang he shiyou lianhe gongsi wenti” (5/6/1943) Reprinted in: *Eguo jiemi dangan: Xinjiang wenti* 108; Zhongguo Guomindang Zhongyang weiyuanhui dangshi weiyuanhui bianyin, ed. *Zhonghua Minguo zhongyao shiliao chubian* 449-450

¹³⁰ The contingent of CCP members dispatched to aid Sheng’s administration of the province in 1938 including Mao Zedong’s brother Mao Zemin, were imprisoned in Sept. 1942 and many, including Mao, were executed the following year.

examine his passport despite the fact he had informed them multiple times that he was in fact the ambassador. The incident he said reflected a broad mistrust of Soviet citizens. Sheng, however, denied the fact that there was any shift and in fact directly reaffirmed Xinjiang's policy of "closeness with the Soviet Union" (*qin-Su*).¹³¹ But the situation on the ground undermined Sheng's glib response. Various reports to Moscow pointed out the shabby treatment of Soviet citizens, who were being regularly berated in the streets, not being sold food or other sundries by local merchants who were forbidden to do so on pain of immediate imprisonment, and being subjected to humiliating searches by overly eager policemen and border guards. As one 1943 report to the Soviet Union's Ministry of Foreign Affairs noted, "In April and May of this year the attitude at every level of government in the province toward Soviet citizens and organizations has taken a rapid turn for the worse."¹³²

The situation was not better in Dushanzi and other Soviet sponsored enterprises in the province, as Soviet officials complained that many high ranking engineers and technicians had been arrested on trumped up charges and workers were being regularly harassed by their Chinese counterparts.¹³³ According to Sheng and other members of his

¹³¹ Shilue Gaoben Collection (MG 32, 1/7), Document 002-060100-00172-007 (Academia Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C.)

¹³² Translated Soviet archival source: "Panyouxin yu Jiang Jieshi huitan jilu: Xinjiang wenti" (6/16/1943) Reprinted in: *Eguo jiemi dangan: Xinjiang wenti* 116

¹³³ Sheng defended his actions saying he had responded to charges of sabotage coming down from Dushanzi by dispatching three high level officials to the area, who after questioning the chief engineer and other Soviet officials at the site, found that sabotage had indeed been happening at the site. See: Soviet Occupation of China Collection (5) (MG 32, 1/8), Document: 002-090400-008258 (Academia Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C.)

government, he was seeking to re-exert control over an operation that had become dominated by the Soviet Union. In his account, Soviet engineers had ridden roughshod over any attempt to circumscribe their rampant hiring of new Soviet “experts,” many of whom lacked any credentials at all. He also sought to curtail what he argued was Soviet technician’s wanton theft of oil. In an investigation conducted over twenty days in September 1942, the local Public Security Bureau found that Soviet engineers had illegally taken nearly 30,000 kilograms of gasoline, and more than 12,000 kilograms of kerosene directly out of the refining tanks and shipped them directly to the Soviet Union.¹³⁴ According to Sheng it was insubordination, sabotage and thievery that had led to the mass arrests of Soviet technicians on-site. As he warned the Soviet ambassador Pushkin in 1943, “if someone destroys things they will not simply be removed from their position, instead they will be punished without mercy.”¹³⁵

Whatever his rationale, Sheng’s attempts to clean house at Dushanzi created an atmosphere of severe tension at the oil site. Strikes broke out among Chinese workers protesting unequal wages in November. In January of the next year, in a show of force, the Soviet Union sent a contingent of between 70 and 80 soldiers from their garrison in Hami along with two tanks to Dushanzi, an act which only fuelled tensions rather than defuse them. Later, after the withdrawal of the troops, a contingent of Chinese workers broke down the door of a locked Soviet office on-site, rifled through accounting papers

¹³⁴ See Liu Yuehua, *Minguo Xinjiang shiyou kaifa yanjiu* Master’s Thesis (Urumqi: Xinjiang University 2002) 28-30. Much of Liu’s analysis relies on archival sources from the Xinjiang Provincial Archives

¹³⁵ See: Shilue Gaoben Collection: (MG 32, 1/7) Document: 002-060100-00172-007 (Academia Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C.)

and other documents and made off with expensive equipment. Soviet officials complained to China's Ministry of Foreign Affairs that Soviet workers were frequently being violently harassed at the encouragement of plant higher-ups and government officials. When Soviet technicians at Dushanzi began to pull out of the area in May, they found their way blocked by a Chinese contingent who said they were operating under orders "from above" to block the transport of equipment and personnel out of the region and even denied them the use of the fuel depot to refuel their trucks. In a more serious incident in May, Soviet officials reported that unknown assailants ambushed trucks carrying equipment. The attackers unleashed a fusillade on the convoy a scant ten miles outside of the provincial capital.¹³⁶ Capping the tension, an ironically apt fire of unknown cause burned the Joint Sino-Soviet Conference Room at Dushanzi to the ground that July.¹³⁷

As far as Soviet officials were concerned the tension on the ground was caused by Sheng Shicai and they did not hesitate to voice their displeasure with his administration at any and every opportunity. In a meeting with Wu Guozhen, the Soviet ambassador Pushkin complained that "Xinjiang's local government had adopted every type of measure to block the movement and transport of Soviet citizens inside of Xinjiang."¹³⁸ In his memoir, Pushkin blamed Sheng directly for the campaign of harassment. Sheng

¹³⁶ Translated Soviet archival source: "Panyouxin yu Wu Guozhen huitan jilu: Sulian shebei he zhuanjia cheli Xinjiang" (5/24/1943) Reprinted in: *Eguo jiemi dangan: Xinjiang wenti* 111

¹³⁷ Wang Lianfang, "Jiu Zhongguo Xinjiang shiyou gongye shuyao" in *Xinjiang shiyou gongye shiliao xuanji* 16

¹³⁸ Translated Soviet archival source: "Asitahuofu zhi Jikanuozuofu han: Xinjiang de fan Su huodong" (6/15/1943) Reprinted in: *Eguo jiemi dangan: Xinjiang wenti* 114

“justified and defended the illegal actions of the Chinese regarding Soviet citizens and government agencies in Xinjiang because he himself was their organizer,” he wrote plainly.¹³⁹ Confronted with the on-going concerns about the treatment of Soviet citizens and investment in the province in May, in a conversation with the Soviet ambassador, Wu Guozhen pointed the finger of blame at a “few Xinjiang officials.” According to a Soviet Foreign Ministry report to Moscow, Wu seemed to squirm anxiously throughout the conversation, thereby conveying to the ambassador his discomfort with the situation he was being placed in by Sheng’s thuggish intransigence.¹⁴⁰

By May, the situation on the ground proved untenable for the Soviet Union and despite the assurances of high level officials like Wu, it was clear that as long as Sheng remained in power, reprisals against Soviet citizens and operations would continue. In April, the Soviet Union announced their decision to remove personnel and equipment from the joint Sino-Soviet airplane factory located outside of Dihua, noting in the official announcement that the reason for their exit was “because Xinjiang officials had given plant workers every type of problem.”¹⁴¹ A few days later, in a report to Chongqing Sheng happily announced that in addition to the factory, the Soviet mineral surveying and extraction organization created under the auspices of the Xin-Tin Agreement and the Red

¹³⁹ Quoted in Barmin, *SSSR i Sin'tszian* 17

¹⁴⁰ Translated Soviet archival source: “Panyouxin yu Wu Guozhen huitan jilu: feijichang yu shiyou lianhe gongsi wenti” (5/17/1943) Reprinted in: *Eguo jiemi dangan: Xinjiang wenti* 110

¹⁴¹ See “Xinjiang bianfang duban Sheng Shicai zi Dihua cheng Jiang weiyuanzhang baogao Sulian zhu Dihua zongling shi xianhou gaozhi feng Su zhengfu zhi mingtong zhi geshi baoqing jianhe baogao” (MG 32, 4/17) 447

Army's 8th Regiment, long stationed in Hami and the Soviet air unit stationed in the province would all be leaving the province.

While Sheng was pleased that these various Soviet organizations were pulling out of the province, it seems he naively clung to the idea that an agreement would still be able to be reached regarding the extraction of Dushanzi's oil wealth.¹⁴² Even as he defended his decision to arrest large numbers of Soviet technicians on-site, Sheng expressed his sincere hope to the Soviet ambassador that an agreement would be reached to extract Dushanzi's oil wealth, as he noted anxiously, Xinjiang too invested a substantial amount of money into the operation, and moreover the province "depends completely on gasoline produced at Dushanzi."¹⁴³ Sensing that the operations were about to fall apart, or perhaps having been informed by his agents in advance, Sheng desperately cabled Chongqing, urging Nationalist officials to come to some sort of agreement over Dushanzi. "All of the specialist technicians and all of the equipment from Dushanzi are being sent back to the Soviet Union, they have stated that they will no longer aid the Xinjiang government and we simply cannot simulate the work," he pleaded.¹⁴⁴

¹⁴² Indeed, according to his memoir, Sheng had actively pushed for the Soviets to pull out completely as early as Oct. 1942 and had been instrumental in forcing them out without conditions. Whiting and Sheng, *Sinkiang: pawn or pivot?* 256-259

¹⁴³ Shilue Gaoben Collection (MG 32, 1/7), Document: 002-060100-00172-007 (Academia Historica (Guoshiguan) Archive docs, Taipei, Taiwan R.O.C.)

¹⁴⁴ Shilue Gaoben Collection (MG 32, 5/5) Document: 002-060100-00176-005 (Academia Historica (Guoshiguan) Archive, Taipei Taiwan, R.O.C.)

The Soviet representatives were unmoved, however, and officially announced on May 17 that the operations would soon cease, that technicians would be assembled, equipment broken down, and the entire enterprise shipped back to Soviet territory. On May 24, the Chinese factory manager was informed by his Soviet counterparts that the next day a fleet of 60 trucks would be arriving in Dushanzi to begin the process of carrying out equipment and personnel. Over the next month, Soviet teamsters had already shipped out between 70 and 80 percent of the enterprise's equipment. By June 17, only the steel framing and piping for wells, a few boilers, and assorted buildings remained on-site.¹⁴⁵ The site was nearly empty that August and only the shells of production facility buildings, meeting rooms, and dormitories stood witness to the aborted operations. As for the wells themselves, which had held so much promise and seemed to be on the verge of a major production breakthrough as late as 1942, Nationalist officials in Xinjiang were relieved to find that they had not been sabotaged and had in fact been expertly capped by Soviet engineers with cement and steel.¹⁴⁶ After having received news of the Soviet pull-out from Dushanzi, Chiang wrote a personal, handwritten note to Sheng Shicai. He sought to placate him, noting that the full and complete pull-out of the Soviet Union was necessary. "We must not leave behind an illness that could lead to a loss of our national sovereignty for some trifling equipment," he wrote.¹⁴⁷ But in many respects, Chiang's intimate hand written report to Sheng was

¹⁴⁵ Liu, *Minguo Xinjiang shiyou kaifa yanjiu* 32

¹⁴⁶ Shilue Gaoben Collection (MG 32, 8/26), Document: 002-060100-00179-026 (Academia Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C.)

¹⁴⁷ "Waijiaobu cizhang Wu Guozhen zi Chongqing zhi Fulian zhi Hua dashi Panyouxin shuoming Zhongguo zhengfu xiwang Sulian neng jiang zai Xin feiji changji youkuang

simply an *ex post facto* justification for the collapse of negotiations, a development that setback the extraction of oil from the region for more than a decade.

The ending of operations at Dushanzi was a victory for no one. The substantial investment in operations made by the Soviet and Xinjiang governments throughout the late 1930s and early 1940s was wasted. Despite the desperate need to increase the production of crude oil in China and the Soviet Union during the wartime period, any hope that Xinjiang would be a major oil producing region in the near future appeared farfetched. The blame for the collapse must surely be placed at the feet of Sheng himself, who's desperation to ensure that the Soviets pulled out of Xinjiang quickly poisoned the operation beyond repair. Sheng's shrill warning that, "If you simply halt production than both sides [the Soviets and Xinjiang government] will both sustain large losses" in May 1943 must surely have been greeted by both Soviet and Chinese officials with a roll of the eyes.¹⁴⁸

The Soviet ambassador met with Wu Guozhen in July 15, 1943 and exclaimed that the operation at Dushanzi collapsed solely because of the treatment of Soviet experts and technicians at the hands of Sheng himself. "There is no question that these experts could have played a much bigger role in Xinjiang," he lamented. The Soviet presence had been severely diminished in the province and by August, the handover of Xinjiang was basically complete.¹⁴⁹ Chiang Kaishek was finally able to fully take charge of this

jijian jiarang beiwang lu" (MG 32, 5/6) in Zhongguo Guomindang Zhongyang weiyuanhui dangshi weiyuanhui bianyin, ed. *Zhonghua Minguo zhongyao shiliao chubian* 450

¹⁴⁸ Shilue Gaoben Collection (MG 32, 5/5), Document 002-060100-00176-005 (Academia Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C.)

province which, along with its mineral wealth, had existed outside of the grasp of Nationalist officials since 1912. But in the process they had poisoned their relationship with the Soviet Union, a mistake in this border province that could potentially prove fatal. In his conversation with Wu, Ambassador Pushkin pointed ominously at a potential future obstacle in Nationalist plans to fully integrate Xinjiang into new Chinese national development plans – Soviet resistance. The cost of the collapse of operations at Dushanzi he warned could not be measured in unproduced oil or wasted investments. Sheng's actions and the Nationalist government's support, both tacit and otherwise, "Could harm Sino-Soviet relations," Pushkin tersely noted, a warning that anyone with any experience in Republican Xinjiang would have been wise to pay attention to.¹⁵⁰

¹⁴⁹ By 1944 all of the Soviet equipment and personnel had been removed from Xinjiang, including personnel and equipment from the Hami-Almaty airline.

¹⁵⁰ Translated Soviet archival source: "Panyouxin yu Wu Guozhen huitan jilu: Zhong-Su zai Xinjiang de guanxi" (7/15/1943) Reprinted in: *Eguo jiemi dangan: Xinjiang wenti* 117

Chapter 5: A Tale of Two Hinterlands, 1942-1946

The acquisition of Xinjiang was a major morale boost for a Nationalist regime which appeared to be on the verge of imminent collapse in 1942. As Chiang Kaishek proclaimed in a speech in late 1942, “From Lanzhou west to Yili, 3000 kilometers of territory have been completely recovered, this is our greatest achievement since the founding of the Republic.” He noted that the size of Xinjiang and Eastern Gansu were more than double the size of Manchuria, a region seized by the Japanese in 1931.¹ For Nationalist officials who felt themselves to be edging toward the precipice in early 1942, the acquisition of this massive swath of territory seemed to be insurance against imminent extinction. Chiang definitively pointed out that with this secure base area firmly in hand, it would be nearly impossible for the Japanese to effectively wipe out the Nationalist regime once and for all. He worked quickly to stake an indelible Chinese claim to Xinjiang

On January 16, 1943, the official opening of the Xinjiang Nationalist Party headquarters in Dihua was commemorated with flag raising ceremonies in small towns scattered throughout the province.² Not far behind, a flood of party cadres, teachers, and officials streamed into the province. They were energized by new slogans such as “open the great northwest” and “establish the foundation of the nation in the northwest” as well as patriotic appeals to ethno-cultural Han pride through the use of historical figures like

¹ Sheng Shicai, “Si yue geming de huigu yu qianzhan” in *Xin Xinjiang* (4/12/1943) 14

² Huang Jiqing remembers in his memoir one such ceremony in the oil town of Dushanzi in northern Xinjiang. See: Huang Jiqing, *Tianshan zhi lu* (Urumqi: Xinjiang renmin chubanshe, 2001) 40

Zhang Qian and Ban Chao who had played a central role in integrating the northwest during the Han dynasty.³ For their part, economic planners quickly worked to craft plans that would begin the task of integrating a northwestern region that remained outside of their control since the founding of the Republic in 1911. For these economic planners, the acquisition of Xinjiang was more than simply a fulfillment of Sun Yatsen's seeming prophesy about the future course of the nation (See Chapter 2). Instead, it also appeared to be a *deus ex machina* solution to nearly every single one of their once seemingly insurmountable economic challenges. Wearing rose colored glasses brought on by the desperation of the situation, they saw nearly boundless opportunities in Xinjiang's largely unsurveyed and untapped landscape. A new infrastructural network would bind the province to the east, its minerals would be incorporated into ambitious new national economic development plans, its arid lands would be transformed into a blooming agricultural breadbasket, and its cities would become serve as an industrial headquarters churning out the products needed to defeat Japan and pave China's way toward a

³ To sustain this mission over the long-term and eliminate the potential for any future ideological waffling by Sheng or any governor, Chiang sought to recraft the ideological foundation of the province. Provincial schools were given a new curriculum centered around Sun Yatsen's "Three Principles of the People." He funded cadre and party training institutes equipped to train the 3,000 new cadres and 20,000 new party members who were to serve as the backbone for an unshakeable Nationalist presence in the province. In addition, essay and research competitions over knowledge of the Three Principles were funded and regularly held; a network of 43 "Sun Yatsen Rooms" were established around the province to spread the Three Principles gospel and the good news about the Father of the Country (*Guofu*), and a new party press was established, which by 1944 was already publishing seven new magazines on topics handpicked by the provincial party apparatus. See: Huang Jianhua, *Guomindang zhengfu de Xinjiang zhengce yanjiu* (Beijing: Minzu chubanshe, 2003) 89. See also: Zhang Dajun, *Xinjiang fengbao qishinian*, vol. 10 (Taipei: Wenhai chubanshe, 1980) 5837-5841

prosperous post-war future. By 1944, Chinese officials came to realize just how much these grand plans depended on a cooperative Soviet Union.

Integrating Xinjiang

In the months immediately following the reacquisition of Xinjiang, large numbers of geologists and surveyors were dispatched to the province to begin the task of integrating its mineral wealth into national economic development plans. In late October 1942, the geologist Huang Jiqing based in Chongqing received an order from his superiors: “Go to Xinjiang, the quicker you leave the better.”⁴ The plans crafted by Huang and an army of other geologists, economic planners, and engineers were intended to not only assure the production of war materials needed to defeat Japan, but also to lay the foundation for a gilded post-war future for Nationalist China.

One geologist in a 1945 report remembered the high tide of geologists and other surveying teams sweeping the province in the months immediately following Sheng Shicai’s changing sides, “every type of investigative group was organized and sent out to Xinjiang to undertake on-the-ground surveys.”⁵ Even Sheng got into the spirit. The archival record clearly shows that Sheng himself petitioned for the establishment of a Xinjiang branch of the Central Geological Survey in December 1942, a request which the

⁴ Huang, *Tianshan zhi lu* 2

⁵ The author estimated that four different Ministries and organs of government sent out their own surveying teams to understand Xinjiang’s mineral wealth. See Mi Taiheng, *Xinjiang kuangchan jilue* (1942) Unpublished report: Document 2857 (Central Geological Survey of China Information Office, Beijing, P.R.C.)

National Resource Commission happily granted the following March.⁶ Beginning in 1942, geologists tied to the 21 geological teams tapped to survey Xinjiang's mineral wealth wrote reports on Dushanzi, the Katu Mountain Gold Mines (see Chapter 1). Various reports outlining oil, tin, tungsten, copper, and bitumen ore deposits in the province flowed regularly into the offices of government agencies located throughout Chongqing.⁷ The desperate need for a broad-based surveying campaign in Xinjiang was expressed in an early 1943 report from the Ministry of Economics, Commission of Inquiry on Industrialization in the Northwest, "the territory of this province is broad, its products are fruitful, and the conditions for economic development are even more promising than Shaanxi, Gansu, Qinghai and Ningxia."⁸

For Nationalist officials, Xinjiang's rich oil wealth was of particular interest. The Minister of Economic Affairs Weng Wenhao investigated the Dushanzi oil fields in July 1942, after being personally invited by Sheng Shicai. Weng's initial report, which he

⁶ "Gedi cheng qing kaicai kuangchan" (MG 31, 12/24), Mining Industry Management Collection: Document: 003-010307-0026, (Academica Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C.) 25-27; See also: "Cha guanyu Xinjiangsheng choushe dizhidiaochasuo yi shi qiangfeng" (10/11/1943) Economic Affairs Collection: File: 18-24C, 14-4 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.) 3

⁷ Mi, *Xinjiang kuangchan jilue*; Huang Jiqing, *Wusu Dushanzi youtian* (1942), Unpublished report: Document 4565 (Central Geological Survey of China Information Office, Beijing, P.R.C.); Huang Jiqing, *Xinjiang Wusuxian Dushanzi shiyou ji meiqi kuangchuang shuomingshu* (1942), Unpublished report: Document 743 (Central Geological Survey of China Information Office, Beijing, P.R.C.); Wen Long, *Xinjiang Tacheng Katushan jinkuang baogao* (1942) Unpublished report: Document 935 (Central Geological Survey of China Information Office, Beijing, P.R.C.); Wang Hengsheng, *Xinjiang dizhi diaocha gaikuang ji kuangchan gongbu* (1943) Unpublished report: Document 1142 (Central Geological Survey of China Information Office, Beijing, P.R.C.)

⁸ "Lin Jiyong guanyu xibei gongye gaikuang de kaocha baogao" (2/18/1943) in Zhongguo die r lishi dang'anguan, ed. *Zhonghua Mingushi dang'an ziliao huibian* 5:2 (caizheng jingji 6) (Nanjing: Jiangsu guji chubanshe, 1997) 167-172

wrote in late July shortly after returning to Chongqing, provides a detailed analysis of the production capacity of the still Soviet managed oil field and offers greatly optimistic suggestions for dramatically increasing production and aiding the transport of oil for use in China's war effort.⁹ After the failure of negotiators to complete an agreement with the Soviet Union to establish joint operations in Dushanzi (see chapter 4), Nationalist officials sought to establish their own drilling operation in the region. In April 1944, the Ministry of Economic Affairs, gave jurisdiction over Dushanzi to the Gansu Oil Drilling office. That August, more than a year after the shuttering of the Soviet operation, the oil field was once again open for business.

In September the Ministry of Economic Affairs officially established state control over the region.¹⁰ Yet, lacking the Soviet Union's deep pockets, production was slow. Operating with a 27 kilowatt water powered generator, the operation relied on one imported steel drill powered with a car engine. All told, the operations in the region repaired seven former Soviet wells which together yielded a relatively paltry ten tons of or so of raw oil per day. From September 1944 to August 1945, the operation yielded

⁹ His plans are exceedingly optimistic, suggesting that a sizable investment in production and refining would enable the Nationalists to increase the production of oil from 1,000 gallons of oil daily to 7,000 gallons, all of which would be shipped to the front lines along the new transport network for use in the war effort. Weng Wenhao, *Xinjiangsheng Dushanzi youkuang shicha baogao* (7/1942), Document 3684 (Central Geological Survey of China Information Office, Beijing, P.R.C.)

¹⁰ "Wei yifa sheding Wusu Dushanzi shiyouwei guoying kuangyequan yi chi jiansheting dengji you" (MG 33, 11/3) Economic Affairs Collection: File: 18-31,109-2 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.) 699-700; See also: "Jingjibu guoying kuangqu weituo Zhuang" (MG 33, 9/4) Economic Affairs Collection: File: 18-3,109-2 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.) 690-691.

3092.7 tons of crude, which in turn was refined into 980.9 tons of gasoline and 727.2 tons of kerosene. These small amounts were insufficient to even meet provincial demand.¹¹

In addition to oil, Nationalist economic planners also focused their efforts on tungsten, another mineral that Soviet officials had had some success in mining. The mineral served as a critical component of Nationalist wartime finances, as the extremely valuable steel alloy used in the production of armaments, was the collateral for loans and an important commodity for international trade. Nationalist truck drivers delivered 1,023 tons of tungsten to the Gansu transport hub of Lanzhou up from the southwestern ore fields in just the first half of 1943. By 1944, China's wartime economy was fully dependent on mineral exports for generating revenue, and in many cases, sacks of tungsten were exchanged directly with international trading partners like the United States for essential sundries like cloth and medicine.¹²

The problem with relying on minerals for exchange, however, was that without efficient methods of extraction and transport, the real value of minerals did not match its price on the international markets. The cost of transport was substantial, and as labor costs grew, gasoline became increasingly scarce, and inflation increased over the course of the war, the costs to mine and tungsten proved increasingly onerous.¹³ Nationalist officials did not have much leeway in determining prices for tungsten, considering the

¹¹ Wang Lianfang, "Jiu Zhongguo Xinjiang shiyou gongye shuyao" in *Xinjiang shiyou gongye shiliao xuanji* (Urumqi: Xinjiang nongkeyuan yinshuachang, 2005) 18

¹² Mining Industry Management Collection (MG 33, 9/3), File: 001-113100-0004 (Academica Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C.) 94

¹³ National Resources Commission Tin Collection (August 10, 1942), File: 003-020700-0302 (Academica Historica (Guoshiguan) Archive docs, Taipei, Taiwan R.O.C.) 44; See also: National Resources Commission Tin Collection (July 15, 1942), File: 003-020700-0302 (Academica Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C.) 48

fact that their market was limited to the United States, a trading partner who was also China's biggest ally and aid provider. As one Ministry of Economic Affairs report calling for increases in the gold price that the American government was paying for tungsten put it, "the capital needed for production is increasing by the day, but the prices for international exchange do not increase easily."¹⁴ As a result, the prospect of recovering new ore fields in Xinjiang, only a short drive from the international border was an exciting prospect for economic planners in Chongqing hoping to finance the war effort using minerals.

In 1943, officials in the National Resources Commission began laying the framework for a large-scale tungsten extraction network in Xinjiang. They started with the establishment of a Xinjiang Tungsten Mine Engineering Office, which would begin operations in early 1944 by examining the former Soviet mining operations in Wenchuan county in western Xinjiang. The new office would require 29 million *yuan* to get the operations up and running and begin the task of uncovering the province's lucrative tungsten reserves and incorporating them into economic development plans being drawn up in Chongqing. The Ministry of Economic Affairs agreed with the need for the tungsten extraction operations in Xinjiang and quickly signed off on a not inconsequential investment in provincial operations.¹⁵ In 1944, a fifteen man surveying team left Lanzhou bound for the ore fields of western Xinjiang. They were charged with

¹⁴ Mining Industry Management Collection (MG 32, 5/1) File: 001-113100-0004 (Academica Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C.) 33

¹⁵ "Ziyuan weiyuanhui Xinjiang wukuang gongchengchu sanshisan niandu shigong jihua" (MG 32) Economic Affairs Collection, File: 21-14-12-2 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.) 1-3

the important task of pinpointing the province's tungsten reserves and surveying the infrastructural network needed to incorporate these minerals into national economic development plans.

Mineral extraction was only one part of the ambitious development plans being cooked up for Xinjiang. For economic planners in Chongqing who were hoping to boost China's industrial capacity, with its rich mineral wealth and distance from Japanese bombers Xinjiang appeared ideal for a large scale industrial development campaign. Surveying the economic topography of the province, economic planners quickly began laying out a comprehensive plan for a new industrial sector in the province. "Xinjiang is virgin territory for industrialization," wrote the head of the Northwestern Industrial Surveying team in a 1943 report.¹⁶ At the centerpiece of the new industrial foundation of the province sat a set of plans for a 1,000 kilowatt Red Salt Lake Hydro-power Plant located outside of Dihua. "It is of the utmost importance to quickly complete the plant, otherwise when additional industries are established we fear that we will lack the power we need to complete our industrialization plans," wrote an official in the Xinjiang Government's Construction Bureau (*jiansheting*) in a report to the NRC. Noting that the current power production from the Xinguang plant in the provincial capital of Dihua was a paltry 224 kilowatts, NRC officials agreed with the assessment and began working with their counterparts in Xinjiang to draw up plans for a larger plant.¹⁷

¹⁶ "Lin Jiyong guanyu xibei gongye gaikuang de kaocha baogao" (2/18/1943) in Zhongguo die r lishi dang'anguan, ed. *Zhonghua Minguoshi dang'an ziliao huibian* 5:2 (caizheng jingji 6) 167-172

¹⁷ "Jiansheting cheng qing huitong ziyuan weiyuanhui banli hongyanchi dianchang yibian ji zao wancheng er li gexiang gongzuo zhi fazhan you" (MG 32, 2/22) Economic Affairs

In 1942 and 1943, the NRC in conjunction with officials in Xinjiang, drew up plans for sixteen wholly new or substantially refurbished factories in the province. In addition, to the power plant, the plans for chemical factories, cement plants, textile mills, fertilizer factories, iron refineries, tanneries, and a dairy industrial plant for the production of lactic acid, milk powder, and lactose were carefully drawn up by Nationalist planners in collaboration with their counterparts in the province. Many of the factories merely represented the main branch of a purchasing and production network that would span the province and penetrate down to the village level. The plans, were to transform Xinjiang by increasing tax revenues, providing employment opportunities in high-wage industries, creating new markets for local products such as wool and cotton, and firmly tie the province into an industrial and marketing network that would eventually stretch from Tacheng and Yili in the far west to the postwar capital in Nanjing and international markets.

The Nationalist government provided 50 million in no-strings attached funds in the form of a “Northwest Construction Special Fund” and in 1943, following a special plea from Sheng Shicai to the Minister of Economic Affairs Weng Wenhao, the government provided a 50 million yuan loan to bolster the “special fund.”¹⁸ Additional pots of money were also prepared to stream into the province to help set up various factories, including a substantial 500 million *yuan* outlay for the new power plant. Future

Collection: File: 24-11-48-1-1 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan, R.O.C.) 1

¹⁸ Sheng implored the head of the Ministry of Economics Weng Wenhao in an October 19 telegram, “we ask the esteemed ministry to help us out and permit this loan.” “Jingjibu Weng buzhang qingzhuan silian zongchu xunjian mi” (MG 32 10/19) Economic Affairs Collection: File 18-06; 37-4 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan, R.O.C.)

development would, without question, require additional payments. Government estimates suggested that in 1944 alone, the price tag on transport and seed money to set up these communities in Xinjiang was 150 million Chinese *yuan*.¹⁹ In addition to direct government investment, many newly established factories in the province also benefitted from joint partnerships with plants in Chongqing or other places in Free China, including a textile mill in Dihua which partnered with the Xiangfeng Cotton Mill in Chongqing, and a chemical plant which partnered with the Tianyuan Plant also in Chongqing. Yet, even those that did not receive direct investment and did not partner with factories in Free China received some measure of support from Chongqing.

The archival record clearly shows that in more than a few cases, the Xinjiang government asked for and received government underwriting for the high cost of accessing and transporting machinery and equipment to Xinjiang.²⁰ Similarly, the central government also liberally used its own surveyors and experts who helped not only lay out the broader bones of an industrial foundation in the province, helping site factories, link plants up to transportation infrastructure, and even teach local laborers how to use

¹⁹ “Guomin zhengfu zhu xibei xingyuan zhi guofangbu shuoming Sufang daocai Xinjiang kuangcang dai dian jielue” (MG 37) in “Zhonghua Minguo sanshisan nian er yue yi ri qizhi sanshisannian shiyue sanshiyi zhi” (MG 33) Economic Affairs Collection: File: 20-26, 33-8 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.)
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²⁰ See: “Jiansheting chengqing huitong ziyuan weiyuanhui banli Hongyanchi shuidian chang yibian ji zao wancheng er li gexiang gongzuo zhi fazhan you” (MG 32, 2/2) Economic Affairs Collection: File: 24-11-48-1-1 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.); “Jiansheting chengqing caiyong jishu hezi banfa sheli liusuan chunxian chang yibian fazhan bensheng huaxue gongye you” (MG 32, 2) Economic Affairs Collection: File 24-04-22-(4) (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.); See also: Zhang, *Xinjiang fengbao qishinian*, vol. 10, 5648-5661

technical equipment.²¹ Nationalist support for the industrialization campaign was extensive and reflects the desire by officials in Chongqing to transform the industrial foundation of the province once and for all.

Nationalist planners likewise saw the importation of massive amounts of Han settlers as an important component of their development campaign in the northwest. Indeed, only weeks after throwing his lot in with Chongqing, Sheng along with the Nationalist general Zhu Shaoliang put together a plan in which 30 to 50,000 settlers would be immediately sent to Xinjiang and an additional 1 million settlers would be shipped in over the long-term. Western scholars have fixated on the relocation of Han agricultural settlers to Xinjiang in 1943 and 1944, suggesting that it was simply part and parcel of a broader attempt to squeeze out Muslim nomads and farmers and cultivate a new Han demographic majority in this border region.²² Yet, these settlers were not simply the outgrowth of an ugly Han chauvinism. They also were the vanguard in an economic transformation of the province and played a central role in the development of Free China's "rear area." They were shipped out to the northwestern border region to produce foodstuffs, to serve as labor for infrastructural development and industry, and to guard unoccupied landscapes from Japanese or Soviet occupation. As one official pointed out in a report to Chiang Kaishek, "the construction of roads and irrigation canals

²¹ *ibid*

²² See: James Millward, *Eurasian Crossroads: a history of Xinjiang* (New York: Columbia university press, 2007) 212; Andrew Forbes, *Warlords and muslims in Chinese Central Asia: a political history of Republican Sinkiang, 1911-1949* (Cambridge, UK: Cambridge university press, 1986) 168-169

in the northwest lacks a large number of people, and so do other construction jobs.”²³

Without denying their demographic role, the archival record clearly shows that the settlement campaigns in the northwest were part of an attempt to rectify what one official referred to as the northwest’s “population problem.” The immigrants would serve as the labor needed to carry out the ambitious plans being crafted in Chongqing and Dihua by economic planners, geologists, and surveyors.²⁴

At the beginning, the reacquisition of Xinjiang was seen as a golden opportunity for the Chinese government to cull its swollen army and bureaucracy. In a September 1942 report, Chiang Kaishek put forth a plan to cut party and military personnel and employ them in development activities in the northwest. “At present, the number of officials in the Central Party and military government organs are too numerous, and many people are simply superfluous, I plan to reduce the numbers by one-third,” he wrote. In the first official proposal to begin resettlement of the northwest since the reacquisition of Xinjiang in 1942, Chiang argued that these former officials should be sent to the northwest, and be “involved in reclamation and other jobs in the cause of development.”²⁵ Chiang’s proposal was fully endorsed by nearly every single Ministry-

²³ “Jiang Jieshi guanyu Zhang Fang cheng ni yizhi Xiangsheng huomin dao Hexi anzhu zhi Kong Xiangxi deng kuaiyou dai dian” (9/27/1942) in Ma Zhendu, Lin Ningmei, Chen Guang, eds. *Kangzhan shiqi xibei kaifa dang’an shiliao xuanbian* (Zhongguo shehui kexue chubanshe, 2009) 167-172, 168

²⁴ Zheng Jitong, “Jiang Jieshi guanyu Zheng Jitong han cheng kaifa xibei ying jie jue Hexi yi xian renkou wenti yijian zhi Kong Xiangxi kuai you daidian” (10/24/1942) in *Kangzhan shiqi xibei kaifa dang’an shiliao xuanbian* 178-180, 178

²⁵ “Jiang Jieshi guanyu zhongyang dangjunzheng ge jiguan caiyuan san fen zhi yi yiju xibei shi shi Kong Xiangxi, He Yingqin ling” (9/22/1942) in *Kangzhan shiqi xibei kaifa dang’an shiliao xuanbian* 166

level official, all of whom expressed their eagerness to shed payroll and reduce bureaucratic waste.²⁶ Yet, at least one official dared to wonder if these former officials who were not fit for duty in Chongqing, could really be used for the arduous task of border development. That Minister, Gu Zhenggang of the Ministry of Society pointed out that “those who are washed out [of the party and military ranks] must be people who are old, weak, or incapable; making them responsible for the development of the borderlands will make our success [in the region] that much more difficult.”²⁷

The drought which took hold of central China in the summer of 1942 and created a massive mobile population of up to 4 million people presented itself as an opportunity for central government officials looking for the strong backs needed to develop the northwest.²⁸ One high ranking official submitted a report to Chiang Kaishek which suggested that the answer to the “population problem” was to be found in the resettlement of refugees from Henan province in Gansu province’s Hexi corridor and eastern Xinjiang. His report called for the government to resettle 50,000 famine victims in the northwest at a total cost of 30 million *yuan* to pay for transportation, housing, equipment, clothing,

²⁶ One exception was Fu Bingchang, head of the Ministry of Foreign Affairs who said he could not spare one-third of his workforce, “Fu Bingchang guanyu waijiaobu zhiyuan yitun xibei wenti zhi Kong Xiangxi han” (10/27/1942) in *Kangzhan shiqi xibei kaifa dang’an shiliao xuanbian* 184-185.

²⁷ “Yu Zhenggang guanyu yitun xibei wenti yijian zhi Kong Xiangxi zhengcheng” (10/26/1942) in *Kangzhan shiqi xibei kaifa dang’an shiliao xuanbian* 182-184, 183

²⁸ See: Micah Muscolino, “Refugees, land reclamation, and militarized landscapes in wartime China: Huanglongshan, Shaanxi, 1937-1945” in *Journal of Asian studies* 69, no. 2 (May 2010) 466

and various start up costs.²⁹ These refugees were to serve as the labor backbone for wartime production in the province, working not only to produce the massive food surpluses needed to feed Free China and its armies in the field, but also to lay the infrastructural foundation for this long neglected region. He noted that they “would preserve the vitality of the nation, and increase its productive and construction capabilities.”³⁰ More practically, in other follow-up reports, officials eagerly suggested that these laborers could work on constructing the railroad line, highways, and the new telecommunications network, as well as in various other productive industries in the region, such as mining, forestry, irrigation construction and fur trapping.³¹

Energized by the opportunity to simultaneously increase the pool of labor in the northwest and also find a way to handle at least part of central China’s refugee problem, central government officials quickly upped the ante on the resettlement plans. In one early proposal sent to the high ranking official Kong Xiangxi, Chiang Kaishek himself suggests that the 50,000 number was far too low. He pointed out that the amount of arable land in the tiny province of Ningxia alone could accommodate an additional 200,000 families or an additional 1 million settlers from famine affected regions. As the desire to kill the two birds with one stone took hold, officials became more and more convinced of the benefits of shipping large numbers of refugees and demobilized party

²⁹ “Jiang Jieshi guanyu Zhang Fang cheng ni yizhi Xiangsheng huomin dao Hexi anzhu zhi Kong Xiangxi deng kuaiyou dai dian” (9/27/1942) in *Kangzhan shiqi xibei kaifa dang’an shiliao xuanbian* 167-172

³⁰ *ibid* 168

³¹ Zheng Jitong, “Jiang Jieshi guanyu Zheng Jitong han cheng kaifa xibei ying jie jue Hexi yi xian renkou wenti yijian zhi Kong Xiangxi kuai you daidian” (10/24/1942) in *Kangzhan shiqi xibei kaifa dang’an shiliao xuanbian* 179

members and soldiers into the northwest. Throughout 1943, officials in the Ministry of Transport, Ministry of Economic Affairs, and Ministry of Agriculture and Forestry crafted plans that enabled the shipment and resettlement of large numbers of immigrants into the northwest. In the end, the plan agreed upon was to send 30,000 refugees to Xinjiang in 1943.³² Agricultural experts were sent out to increase the amounts of arable land in the province to accommodate the settlers. In 1943, the planning for five large industrial farms was sent to Chongqing.³³ According to a production plan from the Ministry of Agriculture and Forestry, in 1944 alone more than 1 million *mu* of land in Xinjiang had been surveyed and was ready for broad-based reclamation activities undertaken by the new settlers.³⁴

The most thorny issue for Nationalist planners was how to work the logistical magic needed to ship refugees along with the equipment and supplies they would need out west. The original plan called for five trucks to leave ply the 2,200 kilometer route from Shaanxi to the eastern Xinjiang town of Hami daily from April 1 to the end of October. The issue of transport was difficult throughout the northwest, but the lack of adequate transportation infrastructure made the task especially problematic in Xinjiang.

³² “Guanyu yimin Xinjiang sanwan ren yi an zhi yu ben nian yi yuejian zai yu feng” (MG 32, 4/5) Economic Affairs Collection: File: 20-26, 52-8 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.) 3

³³ The farms would be worked by settlers and cost nearly 15 million *yuan* to complete. “Xinjiang sheng zhengfu jiansheting minguo sanshiernian shuili nongchang jianshe jingfei jihua zongbiao” (MG 33, 3/3) Economic Affairs Collection: File: 20-00-61 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.) 1-3.

³⁴ “Sanshisan nian nonglinbu jianshe jihua” (MG33, 5/1) Economic Affairs Collection: File: 20-00-61, 1-4 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.) 4-5

An entire transportation infrastructure had to be created in the region from scratch: roads had to be repaired, gas stations and rest stops built and regularly supplied, and perhaps most difficult of all, officials had to acquire nearly 200 trucks which would be dedicated solely to transporting refugees into the northwest.³⁵ Finally, Nationalist planners had to ensure that these penniless migrants had everything needed to help them survive their first year in the foreign climate of Xinjiang.³⁶

At the center of Chiang Kaishek's multifaceted campaign to integrate the province into China-proper was the importation of fiscal infrastructure into Xinjiang. One pre-1942 report, predicted that, "If our central government has made no advance preparation for stabilizing the economy" in Xinjiang, "then when province returns [to China] it will have a bad effect." The impact, the report went on, will be "a loss for our nation" and in Xinjiang, "we will be unable to avoid a loss of confidence" in the government.³⁷ The construction of this new financial system in the province would help facilitate investment and funding for the ambitious plans for developing transportation, industrial development, and labor. For many officials in Chongqing, a broad-scaled financial integration plan for the province had the potential to be the final piece of the

³⁵ "Guanyu yimin Xinjiang sanwan ren yi an zhi yu ben" nian yi yuejian zai yu feng" (MG 32, 4/5) Economic Affairs Collection: File: 20-26, 52-8 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.) 3-6, 3.

³⁶ In addition to land, food, and housing, a report from the New Life Movement promotion committee made a longer list of the various goods that a new migrant might need, a list which included 300 *jin* of wheat flour, an earthen *kang*, carpet, rice bowls, water barrels, and 100 pairs of chopsticks. See: "Jingfei yusuan (gongluju bokuan)" (MG 33, 9/18) Economic Affairs Collection: File: 20-26, 52-8 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.) 15-16

³⁷ Currency Reform (1) Collection: File: 001-084100-0004 (1941) (Academica Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C.) 21-23

puzzle in integrating Xinjiang into the Chinese nation-state. Funding for investment in the province would be funneled through state run banks, the economy would be underwritten through the distribution of China's *fabi* currency, and local officials would be increasingly dependent not on the governor's mansion in Dihua, but on various ministries in Chongqing.

Yet, Nationalist planners were trapped as they sought ways to bind Xinjiang's economy to the center once and for all, without destabilizing its currency or prices. This inconsistency is demonstrated in the policy report quoted above, which advocated a top-down process, calling for heavy central government oversight of currency exchange, trade, and debt repayment.³⁸ At the same time, the report also recognized that an overly rapid integration process could wreak havoc on local markets. The report called for the establishment of a "special economic zone" in newly integrated economic regions like Xinjiang "in order to protect the independent economy, and maintain a partition and prevent the spread" of market turbulence brought about by integration.³⁹ As far as Sheng was concerned, the notion of a special economic zone sounded like a good plan, and in July 1942, he implored Nationalist officials to go slow in their plans to support the relatively stable Xinjiang *yuan* by making payments in U.S. dollars rather than push immediately for a transition to the Chinese *fabi* with direct aid.⁴⁰ Over the objections of

³⁸ *ibid*

³⁹ *ibid*

⁴⁰ Reports from Xinjiang praised the stability of the *yuan* pointing to its relatively stable 3.2 USD:1 exchange rate. Later Nationalist reports would point out that this exchange rate was a fiction, and this rate of exchange could only be achieved in governmental interactions between the Xinjiang provincial government and the Soviet Union and with the severing of ties with the Soviets, there was no where that one could get that rate.

the Ministry of Finance, in late August 1942, Chiang Kaishek decreed that they should support Sheng's go-slow plan. He noted, "if we immediately promote the *fabi*, then the result will be higher prices for commodities in Xinjiang, which will put serious pressure on the people's livelihood."⁴¹

In the same telegram, however, Chiang Kaishek also noted that while on the one hand they would accede to Sheng's request, the currency transition process could facilitate Chongqing's efforts to integrate Xinjiang. "It will confirm our measures to advance our plan of grabbing hold of Xinjiang's finances," Chiang wrote.⁴² For Chiang, as long as Xinjiang agreed to accept the establishment of Chinese financial institutions in the province in order to oversee financial transactions and a plan was in place to begin the process of phasing out the *yuan*, even payments made in dollars could be controlled by Chongqing. "No matter how much we authorize today in USD, [the dollars] will still be controlled by the [central government]; not only will there be no loss, but there will be substantial gains," he predicted.⁴³ In September the Ministry of Finance in Chongqing unveiled a staged phase out of the Xinjiang *yuan*, plans that were fully endorsed by Sheng Shicai, with an enthusiastic "I completely agree with all of the aspects of this plan."⁴⁴ On November 1, 1943 the first branch operation of the Central Bank was

Currency Reform (1) Collection: File: 001-084100-0004 (August 13, 1942) (Academica Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C.) 25

⁴¹ "Chenbao Xinjiang Sheng duban duiyu bizhi yu diankuan wenti zhi yijian" (August 13, 1942) Currency Reform Collection (1): File: 001-084100-0004, (Academica Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C.) 26-28

⁴² *ibid*

⁴³ *ibid*

established in Hami. A few months later in early January 1944, the Dihua branch of the Central Bank was established alongside a branch of the Central Trust and the initial stages of the phase out of the long battered Xinjiang *yuan* was underway.⁴⁵

Through these new financial institutions, Nationalist officials sought to exert a handle over Xinjiang's affairs and begin a double bladed process of integration in the province. Nationalist dollars flowing into the province would be no blank check for Sheng to do with as he pleased. Instead, by funneling these dollars through the Central Bank and the Central Trust, officials in Chongqing were able to exert some level of oversight over the activities of the governor and his administration. Funds for surveying activities, transportation infrastructure, and industrial development was not brought to Sheng's doorstep in bags of cash, but through transfers through Central Bank offices first in Gansu and later in Xinjiang. The Central Bank administered the 50 million *yuan* Northwest Construction Special Fund created by the Ministry of Economic Affairs for miscellaneous developmental activities. Later, when Sheng requested the second loan to help pay for additional factories in the province, central government officials suggested that future payments be funneled through "specialty banks" like the Bank of Transport and Agricultural Bank, which would undoubtedly begin sprouting up throughout the province.⁴⁶ Indeed, most of the massive aid payments flowing into the province in late

⁴⁴ *ibid*, see also "Jiang Jieshi wei Xinjiangsheng bizhi gaige zhi Kong Xiangxi dai dian" (August 30, 1942) in *Zhongguo die r lishi dang'anguan*, ed. *Zhonghua Minguoshi Dang'an Ziliao huibian* 5, 2 (zhengzhi, 4) (Nanjing: Jiangsu guji chubanshe, 1997) 805-806

⁴⁵ Cai Jinsong, *Sheng Shicai zai Xinjiang* (Zhengzhou: Henan Renmin Chubanshe, 1987) 362

1942 through 1944 from the Ministry of Economic Affairs and the NRC was being funneled through Chinese financial institutions.

Sealing Off Xinjiang

By late 1941, Japan's isolation of China was nearly complete. After the initial invasion of China in 1937, the invading Imperial Japanese Army drove the government deep into China's rugged and long unexplored southwest. The Japanese navy exerted control over all of China's major Pacific harbors. The surrender of French Indo-China to the Japanese in September 1940 closed off China's southern border and the signing of the Japan-Soviet neutrality pact in April 1941 and the subsequent cooling of Sino-Soviet relations appeared to isolate China to the west and north. Even the hope inspired by the American entry into the war in late 1941, was mitigated by Japan's successful assault on Burma and the so-called Burma road which connected China to the major port of Rangoon in early 1942. The Japanese military campaigns in central China cut off the new regime from a major source of its food production and its former industrial center in central China. Japanese bombers hammered the capital of Chongqing and its hinterland with a relentless bombing campaign that destroyed not only homes, but also factories and infrastructure.⁴⁷

⁴⁶ "Jingjibu gongkuang diaocha chu daibiao Xinjiang sheng zhengfu jiekuan 50,000,000 yuan heyue" (MG 32, 11/27) Economic Affairs Collection: File: 18-06, 37-4, (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.) 3-5; "Guanyu Xinjiang shengzhengfu wuqianwan yuan xuanchang jiekuan yi'an" (MG 32, 11/5) Economic Affairs Collection: File: 18-06, 37-4, (MG 32, 11/5) (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.)11-12

⁴⁷ See: Hagiwara Mitsuru, "The Japanese air campaigns in China, 1937-1945" in Mark Peattie, Edward J. Drea, Hans van de Ven, eds. *The battle for China: essays on the*

The exertion of control over Xinjiang appeared to resolve the regime's pressing isolation by re-opening desperately needed connections to the outside world. "There is not one person who does not hope to improve transport in the northwest in order to overcome the enemy's plan of sealing off our country," wrote one Nationalist planner undertaking a survey of transport facilities in Xinjiang the summer of 1942.⁴⁸ The Nationalist war effort hinged on the free flow of traffic across the province's western border. The reacquisition of the province offered the opportunity for the isolated regime to import large amounts of desperately needed war material and industrial goods. It also allowed a conduit for the export of valuable metals that could be traded with China's allies for cash.

The period immediately following the reacquisition of Xinjiang was notable for the large-scaled effort to integrate the province into the transport networks criss-crossing Free China. For officials, the chief virtue of transport connections through the province was its remoteness from the fighting ravaging central China. Expecting the imminent re-opening of the transport connections linking the province to the outside world, economic planners wanted to be prepared to immediately begin a transport campaign. Yet, Xinjiang's complex relationship with the central government since the founding of the Republic meant that a considerable amount of work remained to be done by Nationalist

military history of the Sino-Japanese war of 1937-1945 (Stanford: Stanford university press, 2011) 237-255, 249

⁴⁸ "Gong Xuezhong guanyu Xinjiangsheng jiaotong yunshu yanjiu baogao" (7/1942) in Zhongguo die r lishi dang'anguan, ed. *Zhonghua Minguoshi dang'an ziliao huibian* (caizheng jingji 10) 371-387, 371

surveyors and planners charged with creating new routes across the province and surveying new international conduits to the Soviet Union and British India.

Surveying teams blanketed Xinjiang in 1942 and 1943, and began the arduous task of laying the foundation for a new transportation network in the province.⁴⁹ According to archival sources, in 1943 alone, five surveying teams operating with a budget of 4 million *yuan* set out to lay the plans for a new rail line connecting western Gansu province to Xinjiang's border town of Tacheng.⁵⁰ The longest of these expeditions was undertaken in 1943 by a group from the Academia Sinica, which surveyed more than 2,300 kilometers of territory in an expedition that spent more than 170 days in the field.⁵¹ The plans cobbled together by these various teams reflected the overall scope of the plans crafted by Sun Yatsen more than 20 years earlier. Indeed, many of these plans, which are collected in the Number Two Archives in Nanjing, even cite his blueprints as inspiration for their own work and as a justification for their incredible ambition. As the head of the Ministry of Transport wrote in his ten year plan for the development of transportation infrastructure in the northwest, "the scope of the

⁴⁹ Surveying teams desperately sought to uncover new border crossing sites at various spots. Other teams organized by the Central Geological Survey and the Academia Sinica's Scientific Surveying Group set out to survey highway, rail lines, and a freight transport network that connected the province to the Soviet Union, British India, and to Free China via Xikang province across the Tibetan Plateau.

⁵⁰ See: "Jiang Jieshi guanyu jianshe xibei tielu jinhou buzhu yu Zhang Jia'ao deng laiwang daidian" (10/1942) in *Zhongguo die r lishi dang'anguan*, ed. *Zhonghua Minguoshi dang'an ziliao huibian* 5, 2 (caizheng jingji 10) (Nanjing: Jiangsu guji chubanshe, 1997) 192-194, 192.

⁵¹ Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di jiu juan (xia), dizhi kuangchan zhi* (Urumqi: Xinjiang renmin chubanshe, 1999) 818

plan that this office is overseeing directly follows Chairman Sun's plans on the development of the northwest contained in his work *Shiye Jihua*.⁵²

As far as the connections to China were concerned, the plans focused on the construction of a trunk route that would link, either by rail or road, all of the northwest into one broad transport network. The line would begin in Xi'an or Baoji in Shaanxi province, continue into Tianshui in eastern Gansu, cross through the major northwestern hub and capital of Gansu Lanzhou, travel north through the jade gate in western Gansu, cross the rich oil fields of Yumen, traverse the arid Hexi corridor into Xinjiang, travel along the Tianshan north road through Hami, pass through the capital of Xinjiang province Dihua, cross the old Soviet oil fields at Dushanzi and end at the northwestern border town of Tacheng. The entire route traversed a rugged nearly 3,500 km route across northwestern China.⁵³ The ambitious plan crafted in 1942 and 1943 included lines integrating Baotou in Inner Mongolia, a line to Xining in Qinghai province, as well as a line stretching south into Chengdu in northwestern Sichuan province. The entire network covered a total distance of 5,840 km (the longest stretch of which was the line linking eastern Gansu to Tacheng). According to a report from the Ministry of Transport, the rail network could be completed in no less than ten years. The final phase of construction

⁵² "Jiaotongbu guanyu nifa 'xibei shinian jiaotong jianshe jihua' zhi zhongyang shejiju mishu gonghan" (10/10/1942) in *Kangzhan shiqi xibei kaifa dang'an shiliao xuanbian* 220-245, 221

⁵³ "Jiang Jieshi guanyu jianshe xibei tielu jinhou buzhu yu Zhang Jia'ao deng laiwan daidian" (10/1942) in *Zhongguo die r lishi dang'anguan*, ed. *Zhonghua Minguoshi dang'an ziliao huibian* (caizheng jingji 10) 192

would be completed in 1953, when the line connecting eastern Gansu province and Tacheng would be opened to traffic.⁵⁴

The cost of constructing the northwestern rail network was massive and in its ten year construction plan the Ministry of Transport chose to calculate only the first year, which would cost a staggering 657 million *yuan* alone. Additional lines crossing southern Xinjiang were estimated to cost 444 million.⁵⁵ While finances were always an issue for the cash-strapped regime in Chongqing, an equally sizable problem was how to ensure that goods were flowing into an increasingly desperate Free China.

In the months since the last shipment of Soviet supplies into Xinjiang in October 1941, a new Chinese ally emerged who seemed poised to provide all of the material assistance that Chiang Kaishek and his Ministers might require. The entry of the United States into the war in December 1941 appeared to change the fortunes of the Nationalist government. The ability of the American military to tie down Japanese forces in the Pacific was only a small part of a new found Chinese optimism about the war effort. Instead, the American entry into the war also appeared to allow for the unlimited import of supplies into Free China. The only question, however, was how to facilitate these imports. The closing of the Burma Road in early 1942 severed a critical transport artery into Free China. In its place, aid was shipped into China by air, from bases in India across the so-called Himalayan “Hump” and into the city of Kunming. The route resulted in the import of a relatively paltry 1,571 tons of equipment in the first year, and while

⁵⁴ “Jiaotongbu guanyu nifa ‘xibei shinian jiaotong jianshe jihua’ zhi zhongyang shejiju mishu gonghan” (10/10/1942) in *Kangzhan shiqi xibei kaifa dang’an shiliao xuanbian* 220

⁵⁵ *ibid*

amounts would increase substantially in 1943 and 1944 as the regional air transport network was improved, it remained unsatisfactory to Chinese planners.⁵⁶ Officials hoped to use Xinjiang to funnel in the around USD 280 million in lend lease aid received from the United States 1941 to 1944.⁵⁷ The equipment was a critical lifeline and shortly after the American entry into the war, Chinese officials sought to facilitate transport connections that linked the province to regional supply depots like British controlled Iran and the Indian port of Karachi.

The establishment of Xinjiang as a hub for the large scale export of valuable minerals was also a top priority for Nationalist officials. The high price that minerals like tungsten and tin fetched on international markets played a critical role in Chiang Kaishek's wartime-era finances, and the minerals in China's southwest served as the collateral for large-scale loans from the United States in particular and repayment for the Soviet Union's aid in the first half of the war. The reacquisition of Xinjiang allowed central government officials a way to deliver these minerals following the closing of China's ports and the seizure of Hong Kong. The reacquisition of Xinjiang thus helped protect China's credit standing and left open the possibility of future loans. One high level report urged that mineral transport infrastructure be extended to Lanzhou by the end of 1943, "in order to protect our credit standing with the Soviet Union."⁵⁸

⁵⁶ Cited in: Zhang Baijia, "China's quest for foreign military aid" in Peattie, Drea, van de Ven, eds *The battle for China* 283-307, 298

⁵⁷ *ibid* 303

⁵⁸ "Yunwu chu cheng 32 niandu yunwu jihua" (MG 32, 9/12) File: 003-010503-0060 (Academica Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C.) 6-10

Economic planners in Chongqing laid out the framework for a large-scale international trading route across Xinjiang throughout 1942 and 1943. The region which had long existed as a “backdoor of China,” found itself in a surprising position in 1942, as surveyors, planners, and party cadres sought to establish a firm international transport network in the region. “So sudden was the transformation; we felt that Xinjiang had become the front door of China,” Sheng Shicai remembered in his memoir.⁵⁹ The question for Nationalist officials, however, was where to build these international connections. The Tianshan North Road had bisected the province from Hami in the east to Yili along the Soviet border since the Qing period. Yet, a suspicion of Soviet motives engendered by the non-aggression pact signed with Japan in 1941, Chiang Kaishek’s poor record of cooperation with the Chinese Communist Party, and on-going tension over the “Xinjiang question” prompted officials in Chongqing to explore additional transport options. At first planners focused on constructing a line linking the province to their allies in British India, but Nationalist surveyors found that the topography of the 1,200 kilometer route connecting southern Xinjiang to British India was too rugged. Any connection to India would have to traverse two Himalayan passes that were at least 15,000 feet high. The elevation and rugged roads meant that equipment could only be moved between June when the snows melted and December when the snows closed the passes.⁶⁰ Officials estimated that a highway linking the southern Xinjiang town of

⁵⁹ Allen Whiting and Sheng Shih-ts’ai, *Sinkiang: Pawn or Pivot?* (East Lansing: Michigan State University 1958) 155

⁶⁰ “Xinjiang Yindu jian jianzhu gonglu ji choupi yiyun banli gailue” (10/1/1943) in *Zhongguo die r lishi dang’anguan*, ed. *Zhonghua Minguoshi dang’an ziliao huibian* 5:2 (caizheng jingji 10) 387-389. Roads connecting Xikang province (modern-day Western Sichuan) were even farther and even more mountainous than the Xinjiang-India route.

Shache to the Indian border would cost a massive 336 million *yuan*, an amount which was nearly one-third of the total cost for a highway network in the entire northwest and would take several years to complete.⁶¹

Nationalist officials had neither the money nor the time to spend on the arduous task of carving a new highway out of the high mountain passes to India. Potential routes from modern-day western Sichuan province (the wartime province of Xikang), which traversed the Tibetan plateau and the foothills of the Himalaya were similarly surveyed and dismissed as too costly and too expensive. Thus, for economic planners in Chongqing, the well established transport routes across central Xinjiang appeared to be the best option. The only task was to convince Soviet officials to allow American equipment to flow into China along Central Asian roads. “The Soviets may permit us transshipment [across Central Asia] but in reality goods will have no way to cross the border without their support,” worried one Nationalist official in July 1942.⁶²

Despite these concerns, at the outset, officials in Chongqing were optimistic about the prospects for an accord with the Soviet Union over transshipping. Throughout 1943 and 1944, Nationalist economic planners placed a priority on firming up the transport infrastructure crossing Xinjiang with an eye toward facilitating transport connections into

See: “Xingzhengyuan wei shen yi Du Zhenyuan choujian Zhong-Yin gonglu jihuashu shi zhi Meng Zang weiyuanhui han ji xunling bing fu shencha huijilu” (2/1-16/1941) in *Zhonghua Minguoshi dang'an ziliao huibian* 5:2 (waijiao) 551-555

⁶¹ “Junshi weiyuanhui yunshu tongzhiju cheng song zhongyang shejiju mishuchu ‘xibei jiaotong jianshe diyi yi, er nian jihua gaisuan’ (1943-1944) in *Kangzhan shiqi xibei kaifa dang'an shiliao xuanbian* 282-285, 282

⁶² “Gong Xuezu guanyu Xinjiangsheng jiaotong yunshu yanjiu baogao” (7/1942) in *Zhongguo die r lishi dang'anguan*, ed. *Zhonghua Minguoshi dang'an ziliao huibian* (caizheng jingji 10) 371-387, 381

Central Asia. Working from plans cobbled together by the surveying teams dispatched to the province in 1942, Chinese officials working with their counterparts in Dihua began the arduous process of smoothing the long route from Hami to Yili on the Soviet border. Officials determined that the entire cost of constructing this highway, which would follow the old Tianshan North Road, would cost a substantial 20.5 million *yuan* to complete. The knotty question of how to pay for this important transport artery remained open, however.⁶³ When the provincial Finance Office ordered construction on the road to begin prior to a disbursement from Chongqing to help cover the costs, the burden of construction fell squarely on the shoulders of local communities and local government officials. In one telegram sent from the town of Qitai, located in between Hami and Dihua along the Tianshan North Road, local officials complained that increasing labor costs for the 300 local corvee laborers recruited from the town was punishing the local treasury and the low compensation amounts threatened to create unrest among locals.⁶⁴ There is reason to believe that this case was representative of a broader trend.

Road construction was only one component of the construction project and officials began laying out the framework for a massive international transport network. This network was administered by Liu Yirong, who had been appointed by Chongqing to head the Xinjiang branch of China's International Trade Office. The office, established in

⁶³ *Xinjiang gonglu jiaotongshi*, vol. 1 (Beijing, Renmin jiaotong chubanshe, 1992) 48

⁶⁴ No title (MG 32, 11/16) Republican Collection: file number 2-3-828 (Xinjiang Uighur Autonomous Region Archive, Urumqi, P.R.C.) 1; "Chengzhuan puxiu huangcaohu gongluduan qingxing you" (MG 33, 6/9) Republican Collection: file number 2-3-828 (Xinjiang Uighur Autonomous Region Archive, Urumqi, P.R.C.) 11; "Weicheng fu buxiu huangcaohu gonglu Qitai xiang jiezhang tanpai minfu ji gaohao tan pai kuanxiang ge qingxing qi jie cha you" (MG 33, 7/11) Republican Collection: file number 2-3-828 (Xinjiang Uighur Autonomous Region Archive, Urumqi, P.R.C.) 15

November 1942 in the town of Hami, had a special dispensation for a Russian translator to oversee the expected increase in Soviet trade volume flowing through Hami.⁶⁵ The project drastically increased the number of trucks plying the route from around 20 Soviet made trucks in July 1942 to around 350 dedicated trucks in 1944.⁶⁶ In addition, it also created a network of state of the art warehouses to rectify severe shortages in storage space for trade goods, collected oil and gasoline in depots along the route, and set up parking lots and rest areas for drivers. All of these were paid for through a combination of funds from the central and provincial governments.⁶⁷ To oversee the logistics of importing material from Iran across Central Asia, the Chinese Ministry of Transport established the China India Trans-Iranian Transport Administration, with offices in India and in Iran.⁶⁸

In the months leading up to Sheng Shicai's betrayal, Soviet officials were warmly receptive to the establishment of a transport network crossing Xinjiang. The prospect of shipping oil and other materials in exchange for Chinese minerals like tin and tungsten

⁶⁵ File: 16909-14343 (MG 31, 11/16) (Academica Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C.) 3-4

⁶⁶ See: "Gong Xuezhong guanyu Xinjiangsheng jiaotong yunshu yanjiu baogao" (7/1942) in Zhongguo die r lishi dang'anguan, ed. *Zhonghua Minguoshi dang'an ziliao huibian* 5:2 (caizheng jingji 10), 371-387; "Xinjiang Yindu jian jianzhu gonglu ji choupi yiyun banli gailue" (10/1/1943) in Zhongguo die r lishi dang'anguan, ed. *Zhonghua Minguoshi dang'an ziliao huibian* 5:2 (caizheng jingji 10) 387-389

⁶⁷ The question of the division of financial labor was an on-going concern for officials and debates and recriminations over just how much Xinjiang should foot the bill for this network was constantly being debated. *Xinjiang Hami Xingxingxia Lanzhou Cangu* (MG 31, 7/23) File: 003-010501-0010 (Academica Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C.) 5

⁶⁸ David Wang, *Under the Soviet shadow: the Yining incident, ethnic conflicts and international rivalry in Xinjiang, 1944-1949* (Hong Kong: Chinese university press, 1999) 81, footnote 96

appeared to be mutual beneficial. In high level negotiations over exchanges in May 1942, Soviet and Chinese negotiators found plenty of middle ground. The Chinese proposal to set up a series of five monitoring and rest stations on the route between the Xinjiang border town of Xingxingxia and Lanzhou and the requirement that all Soviet trucks be accompanied with a Chinese “assistant” was positively received by the Soviet ambassador. The Soviet Foreign Trade Committee appeared to have no shortage of the trucks and gasoline needed to trade with their Chinese counterparts in Gansu. In the May 22 negotiation, the Soviet representative seemed positively eager to cement a more long-term trading relationship, even offering to pay the costs of food and housing for Soviet drivers in Chinese territory. “We leave the date of beginning transport up to you, we can start as early as the beginning of next month,” the Soviet consul in Dihua Bakunin insisted.⁶⁹

While Soviet officials were enthusiastic about the prospect of exporting Chinese minerals into Soviet territory, their eagerness subsided when it came to the transshipping of supplies. With the entry of the United States into the war in December 1941, Chinese officials were eager to increase the volume of American supplies being shipped via Soviet Central Asia into Chinese territory. A plan compiled by the Chinese Military Affairs Committee in 1942, called for a transport line to be set up linking the Indian Ocean port of Karachi in British India with the Soviet Central Asia town of Almaty. From Almaty in Soviet Central Asia, Chinese trucks would pick up equipment and ship it

⁶⁹ “Zhong-Su guanyu yihuo wenti tanhua jilu” (5/22/1942) in *Zhongguo die r lishi dang’anguan*, ed. *Zhonghua Minguoshi dang’an ziliao huibian* 5:2 (waijiao) (Nanjing: Jiangsu guji chubanshe, 1997) 286-288, 288

east to Hami and on to Free China.⁷⁰ Yet, wary of importing American military equipment into a region that shared a border with the Soviet Union, Soviet officials quickly imposed severe limitations on these trans-shipments. They capped overland transport at 2,000 tons monthly, an amount which included the 1,200 tons of gasoline needed to ship the goods.⁷¹ Throughout 1942, Nationalist officials peppered their Soviet counterparts with requests to increase the transshipment restrictions, but Soviet officials declined to even open negotiations. In May, the Chinese ambassador optimistically pointed out in a report to his superiors that “the Soviets have not refused,” but admitted, that the refusal to negotiate was making him “deeply worried.”⁷² His worries were well founded, and the Soviet response passed along to Chinese officials in October held firm on the 2,000 tons per month restriction, and stubbornly refused to increase fuel shipments or count them outside of the total import number.⁷³

The well documented campaign of harassment against Soviet citizens waged by Sheng Shicai throughout 1942 and early 1943 surely did not help the Nationalists bargaining position. Perhaps more pressing for Stalin, however, was a fear that the American weapons imported into China was simply the first stage in an American

⁷⁰ “Junweihui shicong shi wei zhuanfa waijiaobu deng niding guanyu jiadao Sulian yunshu fang’an zhi Shao Lizi dian cun” (10/16/1942) in *Zhongguo die r lishi dang’anguan*, ed. *Zhonghua Minguoshi dang’an ziliao huibian* 5:2 (waijiao) 260-261

⁷¹ *ibid*

⁷² “Shao Lizi baogao yu Sufang shangqia yuanhua wuzi jiadao Sulian yunshu shiyi zhi Jiang Jieshi diancun” (5/28/1942) in *Zhongguo die r lishi dang’anguan*, ed. *Zhonghua Minguoshi dang’an ziliao huibian* 5:2 (waijiao) 259-259, 259

⁷³ “Jiang Tingfu guanyu Sulian bangzhu Zhongguo yunshu kangzhan wuzi yu Zhang Jia’ao wanglai han” (11-12/1942) in *Zhongguo die r lishi dang’anguan*, ed. *Zhonghua Minguoshi dang’an ziliao huibian* 5:2 (waijiao) 263-266

military presence in the province that would eventually target the Soviet Union.⁷⁴ By early 1943, transshipments were being actively held up by Soviet authorities. In response to a January 1943 request to assist in the shipment of 500 tons of American equipment that was in Almaty and waiting to be loaded and shipped to China, Soviet Foreign Ministry officials, expressed their “extreme regret” but firmly told their Chinese counterparts they were unable to help. “The Soviet Foreign Trade Committee is under no obligation to undertake the task of aiding the shipment of material to China,” reads a memo to the Chinese ambassador.⁷⁵ In another case, in the spring of 1943, a shipment of American supplies which had been loaded on British trucks en route from Tehran to Free China, was stopped and turned back at the Soviet border with Iran.⁷⁶ Soviet officials responded with alarm when Chinese officials informed them in November 1944 that a sizable 137 truck convoy loaded down with American weapons, ammunition, military vehicles, gasoline, and more than 200 armed soldiers, was rendezvousing in Tehran and seeking safe passage to China across Soviet territory. Soviet officials effectively closed the border to shipments of materials to Free China, and any hope that the acquisition of Xinjiang would lift Nationalist China’s punishing isolation was dismissed.

Ripping Out Soviet Roots

⁷⁴ See: Wang, *Under the Soviet shadow* 66

⁷⁵ Translated Soviet Archival Source: “Migaoyang zhi Moulutuofu han: guanyu guojing junshi wuzi de shengming caoan” (3/2/1943) Reprinted in: Shen Zhihua, ed. *Eguo jiemi dangan: Xinjiang wenti* (Unpublished manuscript) 103

⁷⁶ See: Wang, *Under the Soviet shadow*, 81, footnote 96

The work of integrating Xinjiang was undermined by a clash of wills between Sheng Shicai and his former patrons in the Soviet Union. Even if they had been able to afford the high price tag for integration, without Soviet support, the prospect for a Chinese Xinjiang in the 1940s would always be in jeopardy. The closing of Xinjiang's border was almost surely an attempt by Soviet officials to not only deny American troops and advisors direct access to this border province, but was also part of a broader plan to sow unrest. This unrest would create the opportunity for the Soviet Union to eliminate Sheng Shicai and reassert itself in the province. What was lost in the political fight in early 1942, Soviet officials hoped to gain back by closing the border and taking Xinjiang's economy hostage.

While the inability to import American war and industrial material served as an on-going source of frustration for Nationalist leaders in Chongqing, the sealing of the Soviet border was a matter of life and death for residents in Xinjiang. For producers of animal parts, growers of cotton and silkworms, and merchants, among others, the new Soviet policy eliminated the most accessible market for local products. Herders could once simply drive their animals to the border and exchange them with Soviet purchasers. But the closing of the border meant that the nearest markets for products were located in Free China, a long dusty drive to the east. Similarly, without the easy access to the Soviet Turk-Sib railroad which had been a lifeline for Xinjiang since the late 1920s, essential imports would eventually disappear from the shelves of shops throughout the province. With the Soviet border closed, as long as Nationalist plans for a large-scale transport network resided only in planning rooms in Chongqing, local markets in Xinjiang would suffer.

Trade with the Soviet Union had been slowly declining in 1941 and 1942 because of the war economy, but the number plummeted in 1943. Soviet trade officials imposed harsh new restrictions on cross border trade with Xinjiang following Sheng Shicai's about face. The total volume of trade dropped by nearly 85 percent from 1942 to 1943, falling from a total of 90 million *rubles* to 14.9 million. In 1937, the Soviet Union shipped 1,509 tons of tea, 3,547 tons of sugar, and 250 tons of matches into the province. In 1943, the Soviets only shipped in 10 tons of tea and 309 tons of refined white sugar.⁷⁷ The balance was by no means made up by imports from China-proper and as a result the prices of all manner of imported goods skyrocketed overnight. When a group of merchants in Xinjiang sought to use 20,000 silver dollars to purchase goods from the Soviet-Xinjiang Trading Company in May 1943, their request was refused outright, citing new trade regulations issued in Moscow.⁷⁸ Throughout 1942 and 1943, Chinese merchants in Xinjiang complained about a campaign of harassment from Soviet traders. In reports forwarded to the provincial governor, they complained that Soviet trading organs in the province were refusing to pay down debts, and had increased the prices on imported goods. As one merchants explained, the companies "using the excuse of higher taxes from our government, have increased prices on commodities by 80 percent and have willfully suspended trade for an undefined period that may extend for years." He went on to lament, "our losses are unparalleled."⁷⁹

⁷⁷ Li Sheng, *Xinjiang dui Su (E) maoyishi, 1600-1990* (Urumqi: Xinjiang renmin chubanshe, 1992) 511

⁷⁸ *ibid* 494

Food, metal goods, tea and sugar all grew increasingly expensive. According to an analysis by Owen Lattimore, the market prices for these commodities increased by more than eight times from 1940 to 1942 and escalated even more quickly in the subsequent years, increasing by 750 times by 1945.⁸⁰ Industrial produced cloth in particular was scarce and according to witnesses, the cloth needed for Islamic burial shrouds became an extravagant luxury item for many in the province.⁸¹ One provincial official in a report to Governor Sheng following an investigation of the commodity markets in Dihua wrote, “Uniforms are all rotting away, you cannot even purchase cloth, it is truly an extremely difficult situation.”⁸² Further compounding the problem was a resultant increase in hoarding, as the high value of commodities prompted merchants to hold onto their inventory.

If anything, things were worse for local producers. In a series of new trade regulations issued in 1943 by the Soviet Foreign Trade Committee, trade in all goods with the exception of lamb skins and wool was expressly forbidden.⁸³ With an undeveloped transport network connecting the province to markets in Free China, local products just piled up in markets around the province and prices dropped sharply, in a

⁷⁹ For an example, see: “Shangmin Wang Wenyan guanyu Su-Xin maoyi gongsi tuoqian huowu yian gei waijiao tepaiyuan Wu Zexiang de chengwen” (3/2/1943) in Xinjiang weiwuer zizhiqu dang’anguan, ed. *Xinjiang yu E-Su shangye maoyi dang’an shiliao* (Urumqi: Xinjiang renmin chubanshe, 1994) 501

⁸⁰ Owen Lattimore, *Pivot of Asia: Sinkiang and the inner Asian frontiers of China and Russia* (Boston: Little, Brown, 1950) 179

⁸¹ Jack Chen, *The Sinkiang story* (New York: Macmillan, 1997, reprint) 204

⁸² Li, *Xinjiang dui Su (E) maoyishi* 498

⁸³ Even these items were severely restricted. *ibid* 494

few cases as much as 90 percent.⁸⁴ The drying up of markets in the Soviet Union and the inability to access potential markets in China meant that local producers had no incentive to invest capital in herds or in agricultural production. As a result in 1943 and 1944, production in the province dropped substantially. Soviet scholars suggest that arable land declined by 5 million *mu* during this period and the number of cattle also declined by 5 million head. A report from the Soviet consular officer in Dihua noted that in the northern region of Altai many local villages “did not produce any crops this year. According to some reports, only 20 to 30 percent of the total amount of land sown last year has been sown this year.” In many cases, the report went on, former agriculturalists turned to hard labor in the region’s coal mines to make ends meet.⁸⁵ Production in various industries declined significantly. In Turfan, once vibrant cotton production dropped by half and elsewhere, the amount of wool produced dropped significantly and silk production, which had once been a mainstay of sideline production in rural southern Xinjiang, basically disappeared.⁸⁶

Sheng did not back down from the Soviet challenge. In 1942 and 1943, Xinjiang was witness to a bloody war of wills between Sheng and his Soviet neighbors, as Stalin sought to force out Sheng, and Sheng sought to eliminate all evidence of the former relationship between Xinjiang and the Soviet Union from the province. His reckless desperation to tear out the Soviet Union’s deep economic roots in the province is revealed

⁸⁴ *ibid* 500

⁸⁵ Barmin, V.A, *SSSR i Sin'tszian, 1941–1949* (Moscow: Barnaul, 1999) 27

⁸⁶ Cai, *Sheng Shicai zai Xinjiang* 385

in his willingness to sacrifice precious provincial revenues for the cause. The institution of customs taxes, which had been a hard won concession by Yang Zengxin in 1921, had previously made up a substantial portion of provincial revenues. In 1936, customs taxes made up more than 50 percent of provincial revenues. It dropped to only 3.5 percent in 1944, as cross-border trade with the Soviet Union slowed to a crawl.⁸⁷ Despite this, Sheng continued to pummel Soviet interests in the province.

One of Sheng's first steps in attempting to root out Soviet control over Xinjiang's economy was to re-establish control over the Yuxin Local Products Company. The company, which was set up in the early 1930s had long had a close relationship with purchasers in the Soviet Union who, backed up by the Turk-Sib rail line, were in the best position to move the province's goods. Sheng arrested many of the workers in the Yuxin Company, including both Soviet citizens and perceived Soviet supporters, and also sought to radically reorganize the company. On November 3, 1942, the provincial government issued temporary regulations that made the Yuxin Company the sole purchaser of all foreign products. Individual merchants were not permitted to trade with foreigners, and all transactions had to be channeled through the Yuxin company. "The company is the sole entity that can purchase local products for foreign trade," the regulations read." For anyone who violated these rules, their goods would be seized by the government, and they would be charged with seeking to subvert China's war

⁸⁷ See: Wang, *Under the Soviet shadow* 91

economy. The regulations also forbade the exchange of local products for imported goods, insisting that all transactions be paid for in cash.⁸⁸

Likewise, in order to ensure that Soviet traders were unable to profit off of a desperation for imported goods through smuggling, Sheng set monopolies on various sundries like sugar, tea, and matches. According to the new regulations issued in early 1943, one could only buy these goods at designated spots. Under Sheng's plan, smuggling would be aggressively rooted out, prices would be firmly set, and profits capped on the essential daily use goods.⁸⁹ New regulations issued in October 1943 tried to rectify the economic issues by fiat, as the Yuxin company sought to keep prices down by requiring that all goods for export prominently display an official stamp detailing the product, price, amount, and border crossing through which the goods would be shipped. Any shipment lacking the stamp would be subject to seizure as smuggled goods.⁹⁰ In a regulatory attempt to bring prices on foreign imports down by eliminating domestic hoarding, the new regulations mandated that merchants resell and ship goods within one month of purchase.

In order to scrub clean his debts to the Soviet Union, Sheng worked to centralize his personal control over Xinjiang's lucrative local products. To one extent or another, Sheng used Xinjiang's herders like a bank account. Beginning in 1942, Sheng began

⁸⁸ "Xinjiang shengying maoyi zanxing banfa" in Xinjiang weiwuer zizhiqu dang'anguan, ed. *Xinjiang yu E-Su shangye maoyi dang'an shiliao* 488

⁸⁹ Li, *Xinjiang dui Su (E) maoyishi* 507-508

⁹⁰ "Jian zhuxi Sheng Shicai guanyu waishang goumai bensheng tuchan shuchu banfa yian zhi waijiao gongshu de han" (10/5/1943) in Xinjiang weiwuer zizhiqu dang'anguan, ed. *Xinjiang yu E-Su shangye maoyi dang'an shiliao* 536-537

gathering large amounts of local products, mostly products from herding communities in the north, to begin the process of quickly repaying Soviet loans. On March 12, 1942, less than four months before Sheng's full-fledged embrace of the Nationalists, the Governor inked an agreement to trade 50,000 war horses for 6.25 million Xinjiang *yuan* worth of goods and loan repayment. The horses, were to be acquired via purchasing stations in the three counties of Yili, Tacheng, and Yanji and considering the Soviets were paying approximately 125 *yuan* per horse, an amount less than half of the market price, it is worth speculating that the prices paid to locals in Xinjiang was almost surely less.⁹¹ In the end, the number of horses was so sizable and the purchasing campaign put so much pressure on local herds that the "Transmitting Horses to the Soviet Union Committee" was unable to fulfill its obligation, and the Yuxin Company was dispatched to pay for additional horses using imported products. By September of that year, after a frantic purchasing campaign, the Xinjiang government was able to honor the agreement

⁹¹ For the complaints from the provincial government and Guomindang representatives see: "Sheng banjian zhuxi Sheng Shicai guanyu Sufang kuiqian gouma kuangxiangqing jiaoshe yi an zhi waijiao gongshu de han" (2/8/1943) in Xinjiang weiwuer zizhiqu dang'anguan, ed. *Xinjiang yu E-Su shangye maoyi dang'an shiliao* 496; "Waijiao tepaiyuan Wu Zexiang guanyu Sulian goumai mapi qiankuan shenju yian gei Su lingshi de han" (2/10/1943) in Xinjiang weiwuer zizhiqu dang'anguan, ed. *Xinjiang yu E-Su shangye maoyi dang'an shiliao* 497; "Su lingshi Pushiken wei gouma qiankuan yu tuchan gongsi hetong liang'an zhi waijiao tepaiyuan Wu Zexiang de han" (3/22/1943) in Xinjiang weiwuer zizhiqu dang'anguan, ed. *Xinjiang yu E-Su shangye maoyi dang'an shiliao*, 502; "Jian zhuxi Sheng Shicai wei Sufang qianfu gouma kuanxiang ji weifan hetong shi zhi waijiao gongshu de han" (4/14/1943) in Xinjiang weiwuer zizhiqu dang'anguan, ed. *Xinjiang yu E-Su shangye maoyi dang'an shiliao* 505; "Waijiao tepaiyuan Wu Zexiang jiu Su-Xin gongsi tuoqian ma kuan ji weiyuan tijia shi gei Su lingshi de fuhan" (4/1943) in Xinjiang weiwuer zizhiqu dang'anguan, ed. *Xinjiang yu E-Su shangye maoyi dang'an shiliao* 510

and more than 50,000 horses were driven across the border at the Yili and Tacheng border crossings and into Soviet territory.⁹²

After the souring of Xinjiang-Soviet relations, the Soviet Union began to demand the rapid repayment of loans to the provincial government. Pressed to pay a 3.9 million dollar debt to the Soviet Union for the transfer of the Dihua fighter plane factory and an agriculture tools plant in March 1944, Sheng simply turned back to the herds of northern Xinjiang. In a March 1944 agreement, Sheng happily signed away 400,000 sheep, agreeing to this massive transfer of nomadic capital over a five month period. The sheep were collected and driven across the border at Altai and Tacheng, two areas already hard hit by Sheng's economic policies. While data on the domestic purchasing campaigns is not available, logic would suggest that the government would not pay nomads any more than the USD 18.25 per kilo laid out in the agreement.⁹³ In 1945, an additional 310,000 sheep were transferred to the Soviet Union to pay additional debts. In order to gain access to the lucrative local products needed to repay debts without breaking the treasury, provincial purchasing officials often paid only half of the market price and in many cases simply exchanged the goods for promissory notes.⁹⁴

⁹² A substantial controversy broke out over the payment for these horses. Soviets stopped payment after Sheng's switch and only a little more than half was paid. Frantic diplomatic back and forth over the issue, and eventually over Chinese protests the Soviets agreed to pay back the amount but only at current market prices. The amount was repaid through shipments of goods and also in recompensation for Soviet installations in the region. See: Li, *Xinjiang dui Su (E) maoyishi* 512-516

⁹³ Li, *Xinjiang dui Su (E) maoyishi* 520

⁹⁴ Wang, *Under the Soviet shadow* 91

The policies led to a substantial amount of frustration, as nomadic herders in the north increasingly felt that government purchasing officials were making off with their livelihood. Fed up with the restrictions, a vibrant black market economy in northern Xinjiang began to emerge. More than willing to undercut Sheng's bottom line, the Soviet government encouraged the smuggling of goods by setting up markets where agricultural and animal husbandry products could be exchanged for Soviet manufactured goods right along the border. In 1946 the central government ordered Soviet border officials to "continue covertly permitting Xinjiang residents to cross the border into Soviet territory to trade."⁹⁵ Despite dispatching aggressive anti-smuggling patrols which he deployed all along the border, evidence appears to suggest that Sheng had difficulty in fully putting a stop to black market trade once and for all.⁹⁶

The final straw for local producers appears to have occurred in 1943, when having squeezed Yili, Tacheng, and Yanji counties for horses, Sheng made the questionable decision to raise an additional 10,000 horses in Altai in the far north in order to expand his military capabilities in the region. Only, rather than being reimbursed for their efforts, these horses were simply "donated" to local government officials charged with overseeing the campaign. For those that did not have a horse to donate, they would be required to donate 50 percent more than the market value of a horse, or a substantial 700 *yuan*.⁹⁷ Beginning in late 1943 and escalating in the spring of 1944, nomadic groups in

⁹⁵ Xue Xiantian, *Zhong-Su guanxi shi, 1945-1949* (Chengdu: Sichuan renmin chubanshe, 2003) 275. The reference comes from sources in the National Archives of Kazakhstan.

⁹⁶ Wang, *Under the Soviet Shadow* 90, 97

⁹⁷ *ibid* 89

Xinjiang's far north, who had been disproportionately affected by Sheng's ham handed trade policies rose up in armed rebellion. With direct support from Soviet backed forces in Mongolia and supplied with weapons from the Soviet Union they directly challenged Sheng and by extension the Chinese government's authority in the province.

The animosity was not restricted to nomadic herders in the north. The decision by the increasingly cash-strapped provincial government to continue raising taxes only served to inflame sentiments. Per-capita head taxes increased by seven times from 1936 to 1944, increasing from 317 dollars to 2,419.⁹⁸ In addition to head taxes, herding taxes and land taxes likewise increased substantially. As the newly installed American consul in Dihua pointed out, "Land taxes are often higher than the value of the land and have in some places been collected ninety years in advance."⁹⁹ Sheng's struggle with the Soviets had widespread ramifications for people of various classes living throughout the province. "There previously existed friendly trading relations between the people of East Turkestan [an alternative name for Xinjiang] and the Soviet government: ... this cessation of trade worked great hardship in our lives," read a fiery anti-Sheng propaganda leaflet circulating in Dihua at the time. It went on, "In every locality those who were starving, who were without clothing, who could not find employment, and whose condition was altogether piteous, became more and more numerous. Big merchants became small; the small became bankrupt; the bankrupts became beggars."¹⁰⁰

⁹⁸ Chen, *The Sinkiang story* 204

⁹⁹ Wang, *Under the Soviet shadow* 90

¹⁰⁰ *ibid* 91

By 1944, there was widespread anti-Sheng and as a corollary anti-Chinese government sentiment simmering in various spots throughout the province. That April, high ranking officials in Chongqing came to the conclusion that the common factor in the growing tension in Xinjiang and the difficulties in Sino-Soviet relations was Governor Sheng himself. While Chiang and his Ministers might have been willing to entertain some level of anti-Soviet tension in the province shortly after Sheng's change in allegiance, by 1944 the on-going tension was clearly subverting China's interests in the region. Pressure from the Soviet Union, American representatives, as well as government officials in his own Ministry of Foreign Affairs eventually persuaded Chiang that the removal Sheng could simultaneously decrease tensions in Xinjiang and improve relations with Moscow.¹⁰¹ On September 11, 1944, Governor Sheng Shicai agreed to accept a post as the Minister of Agriculture and Forestry in Chongqing and he left the province. The Soviet consul in Gansu province remembered watching Sheng's 60 truck caravan as it passed through the provincial capital of Lanzhou, noting the "huge caravans of cars, carts, and pack mules carrying equipment."¹⁰²

Nationalist officials scrambled to repair the damage that Sheng did to Sino-Soviet relations after his departure from the province. High ranking officials like the Chinese Ambassador to the Soviet Union Fu Bingchang and the Minister of Foreign Affairs Wang Shijie expected a rapid shift in their relations with the Soviets with the removal of Sheng. Indeed, after taking over for Sheng in October, the new governor Wu Zhongxin sought to

¹⁰¹ For more information on the high level Guomindang attempts to remove Sheng from power, see Yeh Wah Foo, *Chiang Kaishek's last ambassador to Moscow: the wartime diaries of Fu Bingchang* (New York: Palgrave Macmillan, 2011) 148-155

¹⁰² Quoted in: Barmin, *SSSR i Sin'tszian* 24

smooth relations with Xinjiang's neighbors, noting in his first major speech in the province that his primary job was "strengthening friendly relations between China and the Soviet Union." Similarly at the third session of the National Political Council of China, members agreed upon a resolution that "due to the geographical proximity between China and Russia, work on the convergence of these two countries is particularly necessary."¹⁰³ While supporting Sheng's removal as a positive step, Soviet officials expressed caution about the future of Sino-Soviet relations. The Soviet director of the Far East Section of the Soviet People's Commissar for Foreign Relations Litvinov, stated in a meeting with a Chinese representatives in Moscow that, "It would be premature to say how the situation will develop, because we need to wait until the new governor starts to see if he is able to implement change or make decisions."¹⁰⁴ In the end, however, the gesture of removing Sheng from office and making statements regarding the rosy future of Sino-Soviet relations, was too little too late.

The Soviet Empire Strikes Back

By late 1944, Soviet agents, disaffected Turkic intellectuals, and angry nomads had already helped set in motion the machinery of a large-scale manufactured rebellion in the western border areas of the province. Using arms and supplies provided by Soviet factories, and training by Soviet military officials, disaffected groups all along the border rose in opposition to Han Chinese domination of the province. As Turkic groups

¹⁰³ *ibid* 26

¹⁰⁴ Yeh, *Chiang Kaishek's last ambassador to Moscow* 154

organized themselves for the establishment of an East Turkestan Republic (ETR), Soviet officials were actively seeking to resume mineral extraction enterprises in the province.¹⁰⁵ Officials in Moscow, hoped to use the uprising to regain their unfettered access to mineral rich regions along the border and resume the extraction of minerals for use not in Chinese national development plans, but in Soviet ones.

The leaders of what came to be known as the Three Districts Rebellion embraced an anti-colonial rhetoric that had been tempered in the Soviet Republics. Leaders railed again Han ethno-cultural domination of the province and pushed for a unified Turkic Muslim government that ruled a unified Xinjiang. “Our provincial government has stated the equality of the 14 nationalities of the 4 million people of Xinjiang, and that the government would protect interests of religion, affirming it as one of the six great political principles which allows freedom of religion,” thundered one leader. Pointing to the star on the Nationalist flag which was said to represent the unity of China’s peoples, he exclaimed, “this six-pointed star is a lie!”¹⁰⁶

The ideas, many of which had been first embraced by Uighur and Turkic intellectuals living in the Soviet republics, were spread by a covert propaganda campaign in population centers all along the border. The archival record is filled with reports regarding the vast network of spies and Soviet agents shouldered with the task of

¹⁰⁵ For additional perspectives on the Three District Rebellion, see: Linda Benson, *The Ili rebellion: the Moslem challenge to Chinese authority in Xinjiang, 1944-1949* (Armonk, NY: M.E. Sharpe) 1990; Wang, *Under the Soviet shadow*; Forbes, *Warlords and Muslims in Chinese Central Asia* 163-190

¹⁰⁶ Barmin, *SSSR i Sin'tszian* 29

inflaming a population already battered by the rapidly deteriorating economy.¹⁰⁷ It is worth taking some of these reports, many of which were intended to reveal that unrest in the province was the fault of Soviet agents rather than local officials, with a sizable grain of salt. It is, however, impossible to dismiss all of them. While exact data on the size and scope of the campaign will never be fully determined, it is clear that these ideas were being actively channeled into the province by a Soviet government intent on discrediting not only Sheng, but also the Nationalist government's administration of the province. One brochure written in Kazak and seized in Tacheng in the north and was translated and reprinted in a Ministry of Foreign Affairs report, bitterly complains, "Our leaders have been eliminated and now the Han and their armies control the entire province." The pamphlet went on, "We cannot take this anymore. Let us initiate a glorious battle for freedom and equality."¹⁰⁸

The battle for freedom and equality would not be won with words alone, however, and the Soviet Union proved more than willing to back up their assistance in the realm of propaganda with weapons, vehicles, and even soldiers.¹⁰⁹ In late 1942, Soviet advisors agreed to provide Kazak herdsmen in northern Xinjiang with weapons and training by Soviet officers in Outer Mongolia in exchange for access to mines in the region and an

¹⁰⁷ For an assortment of documents related to this issue, see: *Waijiaobu dang'an congshu: Xinjiang juan yi* (Taipei: Waijiaobu bianyin, 2001) 194-256

¹⁰⁸ "Zhu Xinjiang tepaiyuan gongshu baobu Xinjiang Ka, Ta, He, A, ge qu jingchaju zhuohuo Sudie gudong minbian, qing zhuancheng weizuo bing qingshi zunyou" (8/29/1943) *Waijiaobu dang'an congshu* 200-203, 202

¹⁰⁹ The centrality of the Soviet role has been well documented. See: Wang, *Under the Soviet shadow*, Barmin, *SSSR i Sin'tszian* 29-37; Forbes, *Warlords and Muslims in Chinese Central Asia* 177-180

uprising against Sheng's provincial forces.¹¹⁰ Throughout 1943 and 1944, this material relationship between the Soviet Union and disaffected Turkic groups in Xinjiang only deepened. Russian scholars familiar with Soviet archives suggest that there is evidence that as early as May 1943, the Soviet Politburo had agreed upon a plan to underwrite a rebellion in the province.¹¹¹ In an early 1944 report, the Soviet consul in the southern town of Kashgar called for greater external support for a potential uprising, noting that any rebellion against the provincial government "will require a strong push from the outside and real external support."¹¹²

In addition to the training his followers received from Soviet military advisors in late 1942, the Kazak leader Osman Batur received over two hundred rifles, light machine guns and provisions. Similar riches were provided to seemingly anyone willing to struggle against the new provincial government. Thus, when the uprising first began in the town of Gongha in the western stretches of Xinjiang province close to the Soviet border, the troops taking up arms against the local garrison were not merely ragged bandits, but well equipped soldiers, with modern weapons, flags, and uniforms. Rebels floated across the Soviet border seemingly at will, Soviet consulates were an important meeting ground for rebel leaders, and when threatened, Soviet (or Mongol) planes bombed Nationalist positions. After the fall of Yili in January 1945, and the resumption of the offensive by the rebel Yili National Army, now officially fighting for the so-called East Turkestan Republic in Xinjiang, Soviet support became even more direct. In June

¹¹⁰ Zhang, *Xinjiang fengbao qishinian*, vol. 9, 5192

¹¹¹ Barmin, *SSSR i Sin'tszian* 39

¹¹² *ibid* 42

1945, Soviet Foreign Minister Molotov approved of the transfer of “rank and file officers who had been demobilized by the Red Army to take part in the insurrectionary movement of Muslims in Xinjiang.” The 1946 budget for the Soviet Republic of Uzbekistan, which was approved in 1945, included 5 million *rubles* to fund the “cost of activities in Xinjiang.”¹¹³

Despite a long string of military victories over Chinese government forces in 1944 and 1945, after extending direct control over the resource rich border districts of Yili, Tacheng and Altai in northern Xinjiang, in September 1945, the Soviet Union ordered the Yili National Army to halt.¹¹⁴ Rather than conquer the seven additional districts of Xinjiang leaders of the movement officially established a separate political, economic, and cultural entity known as the East Turkestan Republic. The separate administration of the three districts continued to exist in one form or another until 1949.

There is not one simple reason for the Soviet Union’s eagerness to underwrite armed rebellion in Xinjiang. Feelings of animosity toward Sheng Shicai for his betrayal and a desire for vengeance surely played some part in Stalin’s calculation. Geo-political concerns that the shift in allegiance in the province would lead to the troubling prospect of American troops being stationed a short march from Soviet territory also

¹¹³ *ibid* 44-46

¹¹⁴ There is considerable debate over the reasons for the halting of the offensive, though nearly all scholars agree that it was a product of Soviet pressure. While Forbes suggests that it was a product of Soviet fears that the Americans were preparing to involve themselves in the conflict, Wang suggests that the Soviet desire to reign in the Yili National Army was a desire to not overreach and to consolidate their control over these resource-rich and strategically important areas. Forbes, *Warlords and Muslims in Chinese Central Asia* 194-195

unquestionably played a role in Stalin's reasoning.¹¹⁵ Reopening the profitable cross-border trade was also a major factor and trade grew rapidly following the establishment of the East Turkestan Republic.¹¹⁶ Yet, there was another component of Stalin's calculus as well, an issue that Soviet officials could not easily voice, considering touchy questions surrounding national sovereignty. Well before the dust had settled in the province, Soviet officials were already mobilizing mining labor and geologists to once again stake a claim to the province's rich ores. In their sights were the Dushanzi oil fields which the Soviet Union had been involved in since the 1920s, but perhaps more importantly, was the interest in the province's tungsten wealth.

Fearing an attack on the fabled oil fields of Dushanzi, two months after the beginning of the rebellion in Yili in September 1944, a contingent of oil field workers from the Yumen oil fields in Gansu province who had been dispatched to Xinjiang to open the new enterprise were sent home. Not long after the winter snows melted in 1945 and the Yili National Army began its spring offensive in Northern Xinjiang, the fabled oil fields of Dushanzi were indeed under attack. On April 19, General Zhu Shaoliang informed Chiang Kaishek that a rebellious military unit from Dushanzi made up of Uighurs and Kazaks attacked a cavalry unit on the road southeast of the oil fields.

¹¹⁵ Stalin revealed his fears about a post-war standoff with the United States in a late 1945 conversation with Chiang Kaishek's heir Jiang Jingguo in which he exclaimed, "I emphasize to you once more, that which is also our strongest wish: you should never permit the U.S. to send even a single soldier to China." See: Translated Soviet archival source: "Sidalin yu Jiang Jingguo de tanhua jilu: Zhong-Su guanxi zhu wenti" (12/30/1945) Reprinted in: *Eguo jiemi dangan: Xinjiang wenti* 174-181

¹¹⁶ According to records in the archives of Kazakhstan, the amount of livestock exports to the Soviet Union increased by 15 to 20 percent from 1944 to 1945. See: Xue, *Zhong-Su guanxi shi* 275

Luckily it fled into the hills when counterattacked. But even more ominously, however, was a smaller band of 20 “Soviet bandits” including two Soviet officers who were spreading rumors and threatening to attack the two companies of Chinese infantry stationed at the Dushanzi oil fields. The units were fortified by another company, a move which appeared to temporarily stay the hand of rebels and Soviets hoping to gain access to the Dushanzi “oil treasure chest.”¹¹⁷ Yet, when the rebels, backed by Soviet soldiers and airplanes, closed in on the nearby town of Wusu, the defenses crumbled. On September 6, little more than a week before the city fell a contingent of 300 Chinese oil field workers and technicians capped Dushanzi’s oil wells and fled.¹¹⁸

A few days later, the oil fields were “liberated” by an Uzbek Yili National Army colonel named Ai’dierbaike. Hoping to quickly restart operations, the ETR government quickly released a request for the former laborers on site to return and aid the new government’s request to extract oil. According to the memories of one man who answered the call, more than 50 workers returned and they were able to recruit an additional 100 or so workers from the town of Yili. Headed by Ai’dierbaike and an assistant manager who was Russian, the Dushanzi Oil Company quickly came back online and by 1947, had around 300 workers on site.¹¹⁹ The workers at the oil field sought to refurbish the eleven capped wells with wooden and in some cases steel scaffolding, but in the end the operations were only successful in producing anything at

¹¹⁷ Russian Occupation of China (6) Collection: Document 002-090400-00009-151 (MG 34, 4/19) (Academia Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C.)

¹¹⁸ Bayiti Wuma’er, “Sanqu geming qijian de Dushanzi” in *Xinjiang shiyou gongye shiliao xuanji* 83

¹¹⁹ *ibid* 95

four of the wells and even these only produced around 4 or 5 tons of raw oil daily. Production was so low that despite the fact that the state of the art refining equipment had been left behind, the refinery only needed to be in operation for two or three days every three weeks or so. According to sources from the Xinjiang provincial archives, in one twelve month period from January to December 1947, the Dushanzi operations produced 1,391 tons of oil, 266.5 tons of gasoline and 202 tons of kerosene. For the four years between 1946 and 1949, a meager 5,600 tons of raw oil were produced.¹²⁰ The amounts of petroleum being extracted from Dushanzi was never substantial enough to be exported, since it never exceeded the amounts needed by the East Turkestan Republic.

Tungsten was a desperately desired mineral throughout the Second World War, as various governments desperately producing war material pushed the value of the mineral through the roof. The ending of the war in August 1945 did not end this tungsten rush, as the elimination of government price controls and continued military spending brought on by the Cold War continued to drive the market for this scarce mineral. For the Soviet Union, there was a steady stream of tungsten shipments entering the country in the beds of the Chinese truck convoys shipping the minerals via Lanzhou and Hami. But the shipments, which were used to repay the massive loans that the Nationalists took from the Soviet Union, were insufficient. Operating under the Xin-Tin agreement, the Soviets had had some success in extracting tungsten from Xinjiang in the early 1940s. After discovering traces of the metal in Wenchuan county along the Soviet border in 1936, a 3,000 worker operations began operating in 1941. The promising operations, which

¹²⁰ *ibid* 83

reportedly produced around 50 tons of the metal total, were shuttered in 1943 following Sheng's reversal.

Not long after the reassertion of Chinese control, a surveying team from Chongqing was sent to survey these lucrative ore fields. These geologists, dispatched to the region in 1944 had no idea they were on the front lines of a battle for Xinjiang's mineral wealth. The annual 1944 work plan for the newly established Xinjiang Tungsten Engineering Office was extremely ambitious, including a 29 million *yuan* outlay for the team to begin setting up shop in three ore sites in the western reaches of the province. After setting up operations in Wenchuan county with a small skeleton crew, a larger group of surveyors, engineers and laborers would make their way to the tungsten fields.¹²¹ According to the plan, after having established operations in Yili, they would shift their focus to the relatively untapped tungsten ores of the Altai in northern Xinjiang. Throughout the first half of 1944, officials in the National Resources Commission were peppered with telegrams from the head of the office Lai Chunxuan, asking that more cutting edge equipment be imported to the ore fields.¹²² The plan was for the team to arrive in the ore fields in July and August to set up equipment and get the site squared away and then begin operations in earnest in September or October. The timing of the

¹²¹ “Ziyuan weiyuanhui Xinjiang wukuang gongchengchu sanshisan niandu shigong jihua” (MG 32) Economic Affairs Collection, File: 21-14-12-2 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.) 1-3

¹²² “Ziyuan weiyuanhui paiyuan tancha gedi kuangchan deng'an” (MG 33, 3/22) Economic Affairs Collection, File: 003-010203-0002 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.) 19-20; See also: “Ziyuan weiyuanhui paiyuan tancha gedi kuangchan deng'an,” Economic Affairs Collection, File: 003-010203-0002 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.) 23

plans for Nationalist officials and more poignantly for those working for the office, was extremely unfortunate.

When the rebellion broke out in Yili, the geological team was caught completely unaware. According to a message smuggled out to Chongqing that winter, the team was trapped west of the Jinghe River, cut off from Nationalist forces and largely on their own quickly after the initial uprising. The two units charged with defending the group were attacked on the road and the team found itself “blocked by ferocious bandits.” With Yili, and by the spring, much of northern Xinjiang in the hands of the rebel groups, the team found itself without food or supplies. While some of the group was successfully evacuated to Wusu and sent to Lanzhou, others were less lucky. Of the 14 engineers sent to the ore fields, nine were unaccounted for by the spring of 1945. With gaps in the archival record, the ultimate fate of the team is lost. In the end, the Xinjiang Tungsten Engineering Office, which had been charged with uncovering the mineral wealth of this province found itself not in the ore fields of northern Xinjiang, but stuck in the city of Lanzhou the capital of Gansu province. As one Nationalist official wrote, “We fear that in the near future we will not be able to resume operations in Yili.”¹²³

This does not mean that these ore rich fields sat unexploited. A Chinese official complained in a 1948 report that, “after the Yili uprising, the Soviets again took the opportunity to steal these ores.” Indeed, Soviet operations in the region were on a distinctly upward trajectory. Shortly after the uprising, the ore fields had been once again reopened and Soviet operations in the region employed more than 3,000 Kazaks and

¹²³ “Wei liyong tongren yu duan shijian zhengli benwu chu neiwu ji zhangxiang” (MG 34, 2/21) Economic Affairs Collection, File: 24-14-12-4, (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.) 8-11

Uighurs who were extracting 825 *shijin* (around 400 kg) daily or 150 metric tons annually. According to the report, less than a year later, there were 10,000 workers on site using advanced equipment and production had increased to 450 tons annually. By 1947, there were 20,000 workers on site producing 1,000 tons annually. In addition to the new mining operations, new transportation infrastructure was constructed in the region, which linked the ore fields to the Yili-Dihua highway as well as the highway leading to the Qiao'erguosi border crossing outside Yili.¹²⁴ Yet, Soviet attempts to gain access to Xinjiang's rich natural resource wealth were not restricted to areas simply hugging the Soviet border. In fact, soviet engineers and geologists spent a considerable amount of energy seeking to gain access to the rich and largely untapped mineral wealth of the Altai mountains in the far north of the province. A Nationalist report argued that the impetus behind the Soviet patronage for the East Turkestan Republic and their embrace of Kazak nation-hood in the region was a desire to gain access to the rich mineral wealth of the Altai, noting, "the Soviet Union has coveted these resources for a long time." Another report noted, "for more than a year, desiring mining, the Soviets were upset that they could not do whatever they wanted and so they encouraged an attack on Altai."¹²⁵ The American Central Intelligence Agency was convinced that Soviet activities in northern Xinjiang were centered around a desire to gain access to uranium ore. There is evidence to suggest that Soviet operations were indeed charged with

¹²⁴ "Guominzhengfu zhuxi xibei xingyuan zhi guofangbu shuoming Sufang daocai Xinjiang kuangzang daidian jielue" (1948) in Xue Xiantian, ed. *Zhong-Su guojia guanxishi ziliao huibian* (Beijing: Shehui kexue wenxian chubanshe, 1996) 509

¹²⁵ "Canxun: Suji yanhu wai mengjun rukou Xinjiang, yi shenru liubaili yu jun jiaozhanzhong" (6/8/1947) in *Waijiaobu dang'an congshu: Xinjiang juan yi* 182-183, 182

gaining access to uranium in Xinjiang's far north but, like in Wenchuan county, Soviets appear to have been largely focused on gaining access to the extremely valuable tungsten ore.¹²⁶

At the beginning of July 1946, the formerly anti-Chinese Kazak guerrilla fighter turned supporter of China Osman Batir, ran across a Soviet engineering team in Fuyun County in the Altai region. When Osman demanded an explanation for their presence in the region, the leader of the group responded brusquely that the government had signed a ten year agreement leasing Xinjiang's mineral wealth. Chinese officials denied the existence of such an agreement and protested to the Soviet Union about their abrogation of China's territorial sovereignty. "Mining minerals and snatching natural resources will destroy Sino-Soviet diplomatic relations as it is an invasion of our sovereign territory," read one Foreign Ministry report.¹²⁷ Yet, aside from formal protests which the Soviets almost completely ignored, there was little that Chinese officials could do to halt Soviet operations in the region.¹²⁸

¹²⁶ A Ministry of Foreign Affairs report noted that agents in the field were investigating the presence of uranium in Xinjiang's far north and whether or not the Soviets were active in the region. "We are investigating whether or not in the vicinity of Baitaishan there are uranium ore sites and have begun to test for the presence of ore, but the Soviets are protesting." "Waimeng jun ji Suji yuejie lue Xinjiang" (MG 36, 6/17-18) Ministry of Foreign Affairs Collection, File: 11-WAA-00156-112.82-0006 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan)

¹²⁷ "Guominzhengfu zhuxi xibei xingyuan zhi waijiaobu cheng Wang Yujun zhuan 'Sulian shan zi zai Keketuohai kaicai kuangshi gaikuang baogaoshu' han" (12/16/1947) in Xue, ed. *Zhong-Su guojia guanxishi ziliao huibian* 507

¹²⁸ "Jiang zhuxi ling waijiaobu chabao Sufang paidui zhi Ashan caiwu qingxing dian" (9/13/1946); "Waijiaobu zhi zhu Xinjiang tepaiyuan Liu Zerong dian" (9/16/1946); "Waijiaobu zhu Xinjiang tepaiyuan Liu Zerong zhi waijiaobu dian" (9/19/1946); "Waijiaobu cheng Jiang zhuxi baogao diaocha Xinjiang kuangcang qingxing wen" (11/7/1946) in Xue, ed. *Zhong-Su guojia guanxishi ziliao huibian* 505-506

Not long after the initial exploratory excursions into the Altai, the Soviet Union began setting up large-scale extraction operations at three ore fields in the region. At the beginning, these three sites employed around 600 workers. After an aggressive campaign to track down laborers, however, the number soon increased to more than 3,000 workers (most of whom were Kazaks), who were aided by 100 Soviet mining technicians. The miners were using equipment from the once thriving Altai gold fields that had been reappropriated for use in the even more lucrative tungsten mines in the region.

According to reports from former miners who fled into territory controlled by the Chinese government, the enterprise also boasted of dormitories and offices, a repair shop, a power plant, and a wireless station. Even after an attack in 1946 which drove off a large portion of their labor force and ended in the shuttering of two of the ore fields, tungsten production continued. The defectors estimated that the operation was extracting 1,000 *jin* of raw tungsten daily in 1947. The finished ore was prepared for transport by Soviet technicians, who packaged it on barges on the Bu'erjin River and shipped it west into Soviet territory.¹²⁹ In an aggressive breach of Chinese territorial sovereignty, the operations were guarded by 120 soldiers stationed in fortified barracks and who were armed with Soviet made rifles and light machine guns and had two heavy artillery pieces.¹³⁰

¹²⁹ “Waijiaobu zhu Xinjiang tepaiyuan Liu Zerong cheng waijiaobu baogao Sufang zai Xin caiqu ge kuang qingxing dian” (10/1947); “Guominzhengfu zhuxi xibei xingyuan zhi waijiaobu cheng Wang Yujun ‘Sulian shan zizai Keketuohai kaicai kuangshi gaikuang baogao shu’ han” (12/16/1947) in Xue, ed. *Zhong-Su guojia guanxishi ziliao huibian* 506-507

¹³⁰ “Guominzhengfu zhuxi xibei xingyuan zhi waijiaobu cheng Wang Yujun zhuan” in Xue, ed. *Zhong-Su guojia guanxishi ziliao huibian* 509

The breaches of Chinese sovereignty in Xinjiang continued throughout the second half of the 1940s. Nationalist officials were confident that the scope of “illegal mining” in the province was far greater than the smattering of reports they received from defectors and refugees from the ore rich regions in the north. As one report recording the interrogation of two miners fleeing Altai stated, “this does not reflect the complete picture of Soviet unauthorized mining.”¹³¹ Even after a Soviet mediated cease fire and the official founding of the new coalition government in the province in June 1946, the separation from the Republic of China of the Three Districts along the Soviet border was largely maintained. The so-called East Turkestan Republic remained an ore-rich satellite of their Soviet neighbor and like Sheng Shicai and Jin Shuren, the regime chose to pay its debts through the granting of mining rights. Nationalist leaders continually filed formal protests to Soviet diplomatic personnel about the unauthorized extraction and transport of mineral wealth that rightfully belonged to the Chinese state. Their protests, however, were met with silence. Instead, Nationalist officials had to content themselves with investigating the relatively unexplored seven districts of Xinjiang not held by the forces of the ETR. From 1944 to 1949, torn away from the richest and best documented resources in the province in northern Xinjiang, officials in the Ministry of Economic Affairs and the NRC surveyed the minerals of arid eastern and southern Xinjiang, discovering potential oil wells in the Tarim region in counties such as, Kuche, Kashgar, Wensu, and Wuqia. The lack of sufficient transportation infrastructure, the high cost of transport, and new fiscal priorities in the post-war period shelved these discoveries.¹³²

¹³¹ *ibid*

In the end, the strength of the Soviet Union and the relative weakness of the Nationalists, forestalled any belief that China could exert its sovereignty over resource-rich northern Xinjiang through force. While their American allies may have sympathized with the Chinese plight, they were unwilling to do more than file complaints with the Soviet government. In many cases, American negotiators appeared to take a page from President Franklin Roosevelt's diplomatic playbook when he suggested to Chiang Kaishek in late 1945 that China not confront the Soviet Union over their territorial ambitions in Xinjiang. "I suggest as a matter of practical statesmanship that the recent incidents be placed on ice until the conclusion of the war."¹³³ After the war, more pressing issues confronted an American government seeking to prop up China's central government, and territorial issues in China's far west were not a priority. Without options, Chinese government officials desperately sought to gain access to Xinjiang's mineral wealth through negotiation. What they lost on the battlefield, they hoped to gain back at the table. As Chiang Kaishek and the Nationalists struggled with the Chinese Communist Party throughout the second half of the 1940s they sought to form a separate peace with the Soviet Union in order to gain access to Xinjiang minerals.

¹³² See: Wang, "Jiu Zhongguo Xinjiang shiyou gongye shuyao" in *Xinjiang shiyou gongye shiliao xuanbian* 20-21

¹³³ Yeh, *Chiang Kaishek's last ambassador to Moscow* 141

Chapter 6: “Transnational State Building and the Making of a Chinese Xinjiang, 1946-1964”

Staking a claim to Xinjiang’s mineral wealth became a priority for Nationalist officials in the late 1940s, even if that claim was not an exclusive one. The fear of losing the province as well as the fears about opening a back door for the Soviet Union to attack the Chinese heartland prompted Nationalists officials to try and hammer out some type of cooperative economic agreement in Xinjiang that would give the Nationalist government at least partial access to Xinjiang’s mineral wealth. As the institutions of Nationalist administration collapsed across China in 1948 and 1949, the regime desperately clung to the hope that some type of agreement could be reached in Xinjiang. Newly negotiated draft proposals were sent east to the Ministry of Foreign Affairs less than a month before the Nationalist collapse, but when they received no response, negotiators desperately wrung their hands, and wrote frantically imploring notes, asking “what should we do?”¹

The new People’s Republic quickly picked up the baton of Sino-Soviet cooperation, giving in 1950 its full throated endorsement of the very agreements negotiated by their Nationalist counterparts less than a year previous. While the new government was able to stake a claim to Xinjiang’s territory and obtain agreements from Stalin endorsing China’s sovereign claims to the province, though its mineral wealth would be shared through cooperative agreement. During the golden years of Sino-Soviet cooperation from 1949 to the late 1950s, a wave of Soviet “experts” played a central role in pinpointing, extracting, and transporting Xinjiang’s mineral wealth. Soviets state

¹ “Dai Xibei jun xingzheng zhangguan Ma Bufang zhi Xinjiang sheng zhengfu mishuzhang Liu Mengchun dian” (7/23/1949) in Xue Xintian, ed. *Zhong-Su guojia guanxishi ziliao huibian* (Beijing: Shehuikexue chubanshe 1996) 405

agents played a central role in the province through geological and cartographical expeditions, jointly operated and funded mineral extraction enterprises, and overseeing the transport of ores out of the ore fields with newly surveyed and constructed transportation infrastructure. Furthermore, Xinjiang minerals were as often as not flowing west into the Soviet Union as they were east into the industrial centers of the new People's Republic. Indeed, tracking the flow of Xinjiang's mineral wealth suggests that the province in the 1950s continued to exist largely as an economic hinterland to the Soviet empire.

The collapse of Sino-Soviet relations in 1960 with the Sino-Soviet split led to the withdrawal of Soviet experts, the rapid completion of all cooperative agreements, the repayment of all of the Soviet loans, and shortly thereafter the ending of cross-border mineral shipments. This may have sparked an economic crisis or Soviet backlash in previous decades, but the intensive efforts to gain access to the province's mineral wealth during the 1950s had transformed Xinjiang. The efforts of Chinese state builders alone and in cooperation with their Soviet counterparts helped in the process of turning this unintegrated frontier periphery into a component part of the Chinese nation-state.

Negotiating with the Enemy

For officials in both Nanjing and Xinjiang's provincial capital of Dihua, there was widespread agreement that the path to integration and peace in the province in the years following the surrender of Japan in 1945 could be paved only with "construction" (*jianshe*). As the Northwestern Field Commander Zhang Zhizhong, who was appointed by Chiang Kaishek to serve as the top Nationalist official in the province in 1947, argued,

“Xinjiang must actively construct every project, the reason is that it is the only way to protect and consolidate national defense in the northwest.”² The idea was signed off on by high ranking bureaucrats in China’s Executive Yuan who in a report noted, “the implementation of economic construction has long lasting gains for protecting the political situation.” An unsuccessful program of economic development in Xinjiang, however, “will [negatively] impact trust in the central government.”³

In 1946, a report on future development projects in Xinjiang pinpointed Yili’s tungsten ore and the oil fields in Dushanzi as ripe for future development. In order to facilitate the extraction and transport of minerals to China-proper, new plans were drawn up for a rail network in the region. Nationalist planners laid out the framework for a network that would integrate the capital of Gansu province by 1949, would be extended to Hami in eastern Xinjiang by 1951 and would be connected to Dihua, the capital of Xinjiang province five years later. Supplementing the rail lines would be a massive highway network linking all of Xinjiang to the provincial capital.⁴ In addition, they also sketched out a new industrial foundation in the province which would draw on the province’s rich natural resource wealth. These industries were to be connected into national and international markets in central and eastern China and included plans for the

² “Zhuxi daidian weiju Xibei Xingyuan Zhang zhuren qiancheng niqing Zhonggong zuzhi jingji jianshe” (MG 36 (1947) Economic Affairs Collection, File: 20-00-61, 1-8 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.) 2

³ *ibid*

⁴ “Chaofa kaocha Xinjiang caizheng baogao shucha yijian” (MG 35 (1946) Economic Affairs Collection, File: 20-00-61, 1-8 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.) 3

construction of a power plant and textile mill in Dihua to be funded with a one time 1.1 million dollar payout from Nanjing.⁵

Substantial obstacles stood in the way of implementing these ambitious plans. The first was financial. As the civil war between Chiang Kaishek's Nationalists and Mao Zedong's Chinese Communist Party heated up in the immediate post war period, the funds available for economic development in the borderlands was in short supply. Tungsten and oil operations "at present lack the labor, material, and financial resources," reads one 1947 report.⁶ Not surprisingly, the massive price tag on the construction of integrated transport networks, large-scale geological and cartographical campaigns, and industrial development programs doused central government enthusiasm for carrying out the programs with a splash of cold water. The second obstacle was the Soviet Union. Despite the reams of paper laying out Xinjiang's rich mineral wealth, in the wartime and postwar period, Chinese state agents simply had no access to the province's most potentially profitable ore fields. The Yili Rebellion in late 1944 led to the partition of the province and the most lucrative fields located along Xinjiang's western borders and in the far north were controlled by the government of the newly founded and viciously anti-Han East Turkestan Republic (ETR). Armed with mining agreements signed between the new government and their Soviet patrons, tungsten in Xinjiang's west, oil in the north central section of the province, and critical minerals with industrial and military applications

⁵ "Qiang wei Xinjiang gongye jianshe ceng dianqing" (MG 37, 11/20) Economic Affairs Collection, File: 18-22-01-063-03 (Institute of Modern History Archive, Academia Sinica, Taipei, Taiwan R.O.C.) 7

⁶ "Chaofa kaocha Xinjiang caizheng baogao shucha yijian" 2

such as beryllium and lithium in the far north were being extracted by Soviet mining teams and transported back directly to Soviet territory.

Officials in Nanjing and in the provincial capital of Dihua, certainly held some misgivings about long-term Soviet intentions in western and northern Xinjiang. But there was also a broad-based recognition of the need for outreach to the Soviet Union in the province. The terrible lessons learned by Governor Sheng Shicai from 1942 to 1944, when his attempts to forcibly sever any contacts to the Soviets played a large role in fueling the Three Districts Rebellion in 1944, shaped Nationalist thinking in the province. At the same time, the recognition of Xinjiang's rich mineral wealth and the inability of the Nationalist treasury or the local merchant community to raise enough capital to fund these projects also prompted the Chinese side to seek negotiation with the Soviet Union.

The result was a push for an agreement that would both facilitate trade as well as set up the institutional framework for joint Sino-Soviet mining and oil drilling operations in Xinjiang. As early as January 19, 1945, a mere four months after the Three Districts uprising began and less than a year after the collapse of the negotiations over joint oil operations in Xinjiang (see chapter 4), high ranking officials from the Executive Yuan and the Ministry of Foreign Affairs submitted an outline plan to the Soviet ambassador laying out the framework for a future trade and economic cooperation agreement between China and the Soviet Union in Xinjiang province. The eight part plan facilitated cross-border trade through loosened restrictions, lower taxes, and capped prices. It also proposed "economic cooperation" in the form of joint Sino-Soviet oil, tin and tungsten

operations in the province.⁷ While at first expressing some willingness to work out a plan, Soviet officials eventually called off negotiations because of the on-going conflict in Xinjiang, suggesting that the time was not ripe for a new agreement.

On August 14, 1945, the Nationalist government signed a Treaty of Friendship and Alliance with the Soviet Union. More than a year later, in January 1946, the Nationalist government, with Soviet mediation, was finally able to come to an agreement with the Yili National Army and the East Turkestan Republic for the creation of the so-called “coalition government” in Xinjiang. The plan created a coalition government in the province but in practice simply endorsed the separation of the Three Districts of Altai, Yili, and Tacheng from the rest of Xinjiang province and continued to give the Soviet Union exclusive access to the regions’ rich mineral wealth. As far as officials in Xinjiang were concerned, the time was now right to re-open negotiations to facilitate trade and establish a new economic agreement in the province. They hoped that such an agreement would create the institutional framework for economic cooperation in Xinjiang finally giving the Chinese government access to the mineral wealth of the western and northern stretches of the province.

This effort was led by Liu Zerong, the special representative for the Ministry of Foreign Affairs in the province and Zhang Zhizhong who was appointed governor of the province at the beginning of the coalition government in June 1946. In early July 1946 shortly after the founding of the coalition government, Liu and Zhang sought instructions on how to proceed with negotiations for an agreement. As Liu explained in a telegram, “At present the most urgent duty is to restore trade and economic cooperation relations

⁷ “Zhongguo zhengfu guanyu Xinjiang shengnei Zhong-Su maoyi yu jingji hezuo zhi jianyi” (1/1945), in Xue, ed. *Zhong-Su guojia guanxishi ziliao huibian* 369

with the Soviet Union.”⁸ At least at first, Zhang and Liu received nothing but silence from officials in Nanjing who were hostile to the idea of negotiating with the Soviet Union at the same time that they were locked in a power struggle with the CCP.⁹

After receiving sketchy advice from the Ministry of Foreign Affairs simply urging the government representatives to investigate the matter more closely, Zhang wrote directly to Chiang Kaishek. In his telegram, he laid out an argument for an agreement with the Soviet Union that seems to have been tailor-made to tug at the patriotism of reluctant officials. He wrote, Xinjiang’s “oil and metal mines are all in the three districts of Yili, Tacheng, and the Altai, a region which are outside of our government’s control. I deeply fear that those illegally holding the regions will sign agreements with foreigners.” Zhang went on to say, “in order to protect our nation’s sovereignty, the central government must begin to negotiate with the Soviets straight away.” Issues surrounding the promotion of trade, which were primarily geared toward easing the hardship of Xinjiang residents were not a central element of Zhang’s argument for focusing on the new agreement. In the end, Zhang’s carefully crafted argument about the need to protect

⁸ “Waijiaobu zhu Xinjiang tepaiyuan Liu Zerong zhi Waijiaobu dian” in Xue, ed. *Zhong-Su guojia guanxishi ziliao huibian*, 370

⁹ The conflict with the Chinese Communist Party and the souring of relations with the Soviet Union made any attempt to reach out to the Soviet Union politically fraught for Chinese officials. When the top Nationalist official in Xinjiang Northwest Field Commander Zhang Zhizhong made the rounds in Nanjing seeking to drum up support for a new trade agreement that July, he received a chilly reception. The situation had changed, but so had the personnel. The Minister of Foreign Affairs, T.V. Soong, who had once been willing to deal with the Soviet Union, was replaced by the decidedly more hard-line Wang Shijie. In his memoir, Zhang remembered one conversation about Xinjiang in which Wang abruptly stormed out in a huff. See Zhang Zhizhong, *Zhang Zhizhong huiyi lu* (Beijing: Wenshiziliao chubanshe, 1985) 526

Xinjiang's mineral sovereignty forced the issue onto the table and began an intense debate in Nanjing over what form any such agreement with the Soviets should take.¹⁰

Taking the January 1945 proposal as a template in his initial communication with Chiang Kaishek, Zhang called for a drastic expansion of economic cooperation in order to help gain access not only to Xinjiang oil, tin and tungsten, but all of the province's mineral wealth. He noted that the previous agreement was too limited in requesting joint operations only in tungsten, tin and oil fields. He suggested instead, "Mining is not restricted to tungsten and tin, therefore it is better to say that the four characters of 'tungsten production' and 'tin production' be changed to two characters: 'ore production.'" His suggestion offered up the potential for a massive increase in Sino-Soviet mining partnerships across the province.¹¹ For various high level Ministers suspicious of the Soviet Union, including the Minister of Foreign Affairs Wang Shijie and the Minister of Economic Affairs Weng Wenhao, the prospect of increasing China's access to Xinjiang's mineral wealth was not worth the expanded and potentially threatening Soviet presence in isolated, ore-rich stretches of the province. As Minister Wang wrote in an August 24, 1946 memo to Chiang Kaishek, "if this is officially ratified then it will allow the Soviets to form even closer links at the local level, which will make control even more difficult."¹² In a response, Chiang scolded Governor Zhang, urging him to use caution in his dealings with the Soviets, "all of Xinjiang's mineral resources

¹⁰ "Xibei xingyuan zhuren Zhang Zhizhong zhi Guomin zhengfu zhuxi Jiang Jieshi dian" (8/3/1946) in Xue, ed. *Zhong-Su guojia guanxishi ziliao huibian* 371-372

¹¹ *ibid*

¹² The Russian Occupation of China (6) Collection, File: 002-090400-00009-288 (8/24/1946) (Academica Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C.)

cannot be included like this so haphazardly into an agreement,” he wrote.¹³ But the governor’s arguments about mineral sovereignty held up, as the Minister of Foreign Affairs Wang Shijie conceded in a 1946 memo, “I think that the only resolution of this problem [of Soviet agents mining in the Three Districts] is to quickly negotiate an agreement over economic cooperation and reach an agreement at the earliest date possible.”¹⁴

Finally, in November 1946, after more than three months of debate, the Chinese negotiators forwarded the new proposal to the Soviet consul in Dihua. The proposal called for the establishment of Soviet trade organs in Xinjiang, required that trade be made using currency rather than barter, and that all trade be clearly laid out in mutually approved trade lists. In terms of economic cooperation, the proposed agreement called for the establishment of joint oil, tungsten, and tin mining operations that were to be split at 50 percent each. Management would be split, though Chinese would be in the highest positions in administration, and shared purchases of equipment and material would be mutually decided upon.¹⁵ In a January 1947 memo to Moscow, the Soviet ambassador in Nanjing reported that governor Zhang had visited him and urged him to reply to the November proposal. Governor Zhang “thinks that Sino-Soviet economic cooperation in

¹³ The Russian Occupation of China (6) Collection, File: 002-090400-00009-288 (no date) (Academica Historica (Guoshiguan) Archive, Taipei, Taiwan R.O.C.)

¹⁴ Zhang Dajun, *Xinjiang fengbao qishinian*, vol. 12 (Taipei: Wenhai Chubanshe 1980) 7223

¹⁵ Xue Xintian, *Zhong-Su guanxishi, 1945-1949* (Chengdu: Sichuan renmin chubanshe, 2003) 271-272

Xinjiang has an important significance, because he sees it as a model for future Sino-Soviet cooperation,” the Soviet ambassador explained in his memo to Moscow.¹⁶

While Nationalist officials may have wanted to quickly move on an agreement, the proposal languished for more than two years before eliciting any response from the Soviet side. As far as they were concerned, there was no hurry to complete an agreement. Indeed, they were already getting what they wanted out of Xinjiang: unfettered access to the province’s mineral wealth and the security afforded by the existence of a buffer state. The aggressive Nationalist assault on CCP positions and the outbreak of the Chinese Civil War in earnest in 1946 and 1947 helped further undermine Sino-Soviet relations during this period. Two additional crises in Xinjiang: an incident in the provincial capital of Dihua in which Nationalist soldiers violently cracked down on Soviet sympathizers, and the June 1947 Beitashan incident in which Chinese and Soviet backed Mongol soldiers clashed along Xinjiang’s northern border, both helped poison relations with the Soviet Union.

Soviet officials may have felt that they had little to gain in 1947 and 1948 in negotiating with the Nationalists over access to Xinjiang’s mineral wealth and trade. But the crumbling of the Nationalist armies in central China in the second half of 1948 and 1949 prompted a sharp change in policy. Fearing that a rapid collapse of the Nationalists could roll back the high levels of Soviet access to Xinjiang mineral wealth, Soviet negotiators sought to hammer out a new agreement with Chiang Kaishek that could

¹⁶ Translated Soviet Archival Source: “Pideluofu yu Zhang Zhizhong huitan beiwanglu: Su-Xin jingji hezuo” (1/27/1947) Reprinted in Shen Zhihua, ed. *Eguo jiemi dangan: Xinjiang wenti* (unpublished manuscript) 201

potentially serve as the starting point for future negotiations with the CCP.¹⁷ In a December 1948 memo to Stalin, the Soviet Defense Minister Mikoyan wrote that it was in the Soviet government's best interest to quickly finalize an agreement with the Chinese side in Xinjiang. He wrote, "renewing trade and economic cooperation will help advance and strengthen our position in Xinjiang." It will not only promote cross-border trade, Mikoyan said, but it will also "legalize the Soviet Ministries of Metallurgy and Industry precious metal mining operations in the Altai and Yili border regions."¹⁸ Finally, on January 23, 1949, four years after the initial outreach to the Soviet Union for a comprehensive trade and economic cooperation agreement in Xinjiang, the Soviet consul in Dihua passed along a response to the Chinese proposals and a set of principles. Shortly thereafter, direct negotiations commenced with the Chinese side being headed up by Liu Zerong, and two other provincial officials: Liu Mengchun and Yi Min.

The original Soviet proposal listed eleven points. In terms of trade, the document sought to lift any restrictions on the free flow of commodities and eliminate any restrictions on Soviet traders in seeking producers and buyers for their goods. It also sought reassurances that taxes would not exceed those levied on traders from Xinjiang. As far as the economic cooperation component of the agreement was concerned, two

¹⁷ Mao Zedong and other CCP officials were indeed suspicious of Soviet intentions in Xinjiang. At a conversation in Nanjing in early 1949 with Soviet officials, Mao expressed concern about the Soviets having armed the Yili National Army, implying that the CCP, like the Nationalists, would not tolerate Soviet incursions into Xinjiang. Translated Soviet Archival Source: "Migaoyang guanyu Su-Zhong hezuo deng wenti yu Mao Zedong de huitan beiwanglu" (2/4/1949), Reprinted in *Eguo jiemi dangan: Xinjiang wenti* 224-227.

¹⁸ Translated Soviet Archival Source: "Migaoyang gei Shidalin de baogao: huifu Su-Xin maoyi he jingji hezuo" (12/7/1948) Reprinted in *Eguo jiemi dangan: Xinjiang wenti* 214

companies set up to extract “non-ferrous and precious metals” and oil would be set up using equal amounts of capital from each side. The agreement sought to assure wide freedom in searching for new minerals by agents of the new enterprises, allow for the Soviet Union to purchase ores produced in excess of China’s needs, and also equalize the management and board of directors. The Soviet negotiators proposed that the economic cooperation part of the agreement should be in place for fifty years.¹⁹

The response from Nanjing was decidedly unenthusiastic. In a telegram to the Chinese negotiators in Xinjiang, officials made it clear that they thought the Soviet plan offered far too much freedom for Soviet traders in the province and did not hew closely enough to Chinese law, that there was not a clear enough delineation in the types of minerals that would be mined and which ore sites would be targeted. They also rejected the suggestion of the equality in management of the enterprises and were only willing to concede on equalization of staff members, and finally they refused the idea of a fifty year agreement, and proposed instead a twenty year contract with the possibility of renewal.²⁰

The significant differences led to a period of intense negotiations in which the representatives met several times a week seeking to find some common ground upon which to develop an agreement. In a memo to his superiors, the Soviet consul in Dihua strategized, “we should find the opportune time to declare that the Chinese side is too far

¹⁹ See Zhongguo Guomindang Zhongyang weiyuanhui dangshi weiyuanhui bianyin, ed. *Zhonghua Minguo zhongyao shiliao chubian – dui Ri kangzhan shiqi, di qi bian zhanhou Zhongguo (yi)* (Taipei: Zhongguo Guomindang dangshi weiyuanhui 1981) 806

²⁰ “Zhongfang duiyu Sufang fang’an suoti zhi zhuzhang” in Xue, ed. *Zhong-Su guojia guanxishi ziliao huibian*, 376-377

apart from us to reach an agreement.”²¹ The Chinese negotiators were stuck in a difficult situation, as it became increasingly clear that officials in Nanjing were unwilling to make the types of concessions needed to reach an agreement and the pressure grew on them from not only the Soviet Union but also from their Chinese superiors. Indeed, some scholars have argued that while local officials were well aware of the need for an accord with the Soviets in Xinjiang, those in Nanjing had cynically signed off on the negotiations with the Soviets in order to forestall an advance from the Red Army through Xinjiang to support the CCP.²²

While there is no direct evidence to back up this claim of deliberate foot dragging, throughout the negotiations, officials in Nanjing ratcheted up the pressure on negotiators. The real pressure on local negotiators emerged less than a month after the beginning of the negotiations, when it became clear that the regime’s American allies were opposed to the agreement. In a February 20, 1949 United Press International (UPI) report, American officials denounced the proposed agreements, arguing that they awarded the Soviet Union a virtual monopoly over Xinjiang’s mineral wealth and perhaps more troublingly, appeared to open the possibility that under the terms of an agreement Soviets would have unfettered access to uranium ores present in the mountains around Altai. “If these types of concessions are granted to the Soviet Union, then the President’s [Truman] approach

²¹ Translated Soviet Archival Source: “Saweileyefu de beiwanglu: guanyu Su-Xin jingji hezuo de tanpan” (2/7/1949) Reprinted in *Eguo jiemi dangan: Xinjiang wenti* 233-234

²² Li Sheng, *Xinjiang dui Su (E) maoyishi, 1600-1990* (Urumqi: Xinjiang renmin chubanshe, 1992) 550

to these negotiations will change from concern to a ‘warning,’” the report darkly suggested.²³

The fears of alienating Nationalist China’s closest ally struck a chord with many in Nanjing. In an interview published in the *Central Daily* (*Zhongyang Ribao*) an aggressive interviewer pressed Zhang, who had stepped down as governor of Xinjiang in 1947 but retained his important position as Northwestern Field Commander, asking him if it amounted to granting the Soviet Union a monopoly over Xinjiang’s mineral wealth. Zhang testily replied, “I will absolutely not discuss this question, it is simply an ordinary international economic agreement.” When the interviewer wondered if China would be given the same access to minerals in Soviet territory as the Soviet Union was granted in Xinjiang, Zhang could do no more than sheepishly reply, “no.”²⁴ In a follow-up, the American ambassador in Nanjing questioned his counterparts in the Ministry of Foreign Affairs about the extent of Chinese mineral concessions and specifically whether the agreement permitted the extraction of uranium from Xinjiang.²⁵

Negotiators in Xinjiang continued to stand by the need for an agreement with the Soviet Union in the province. As Liu worried, “National sovereignty should be protected as much as possible, but if this agreement is unsuccessful, then I cannot bear to imagine Xinjiang’s future.”²⁶ In order to assure Nationalist officials and the Americans, the

²³ “Hezhong she baodao dui Zhong-Su Xinjiang jingmao jiaoshe Mei dangju jibiao guanqie” (2/20/1949) in Xue, ed. *Zhong-Su guojia guanxishi ziliao huibian* 379

²⁴ “Zhu Xinjiang Waijiao tepaiyuan Liu Zerong deng zhi Xibei junzhengguan Zhang Zhizhong dian” (2/23/1949), in Xue, ed. *Zhong-Su guojia guanxishi ziliao huibian* 381-382

²⁵ Xue, *Zhong-Su guanxishi* 283-284

negotiation team worked to keep various national defense minerals like uranium, thorium, bismuth, and tungsten off the table and sought to clarify that the agreement was by no means the granting of a monopoly. Yet, the situation in Nanjing proved unfavorable to the compromise needed to hammer out an agreement. In March, after the Soviets proved willing to make concessions over the management of the companies, the start-up capital investment, and shortening the fifty year duration of the agreement, a bureaucratic shake-up in Nanjing brought in more anti-Soviet hardliners who torpedoed Nationalist government support for the agreement.²⁷

The Nationalist defenses continued to crumble in the late spring of 1949 and the government itself fled south to Guangzhou to escape the advance of the CCP's People's Liberation Army. For Chinese negotiators, an equal significant concern was a new campaign in western China by the CCP, which sealed off Chiang Kaishek's forces in the province and cut off any potential retreat from Xinjiang. In this context, the Soviet negotiators increased the pressure. In a June 6, 1949 proposal, the Soviet side presented a wholly new proposal to the negotiators in Xinjiang. This plan gave the joint oil drilling and mining enterprises the right to build railroads, highways, and airports, and lay telegraph lines in the province, allowed them to construct hospitals, schools, and other buildings, split the management of the extraction enterprises directly, and allowed for the free movement of Soviet personnel across the border. The new proposal was said to represent a massive breach of China's sovereignty and one scholar even compared the

²⁶ “Zhu Xinjiang Waijiao tepaiyuan Liu Zerong zhi waijiaobu (Guangzhou) diangao” in Xue, ed. *Zhong-Su guojia guanxishi ziliao huibian* 380-381

²⁷ Xue, *Zhong-Su guanxishi* 285

proposal to the railroad concessions granted the Russian Empire in Manchuria in the waning years of the Qing dynasty.²⁸

Isolated and cut off, the Chinese negotiating team had little choice but to continue negotiations. When the Chinese negotiators resisted Soviet pressure to sign off on the new agreement on the spot, they were accused by the Soviets of “seeking to prolong the negotiations.” As Ma Bufang, who had taken over Northwest Field Commander for Zhang after he was called away to negotiate with the CCP in Beijing pointed out, “their attitude is especially unfriendly” and “our side has fallen into a very difficult position.” Yet, despite the Soviet hard line, Ma and the other negotiators saw no alternative except to continue negotiating, “although our hearts are filled with anger and pain, now we do not dare to take on an attitude of rejection.”²⁹ In a telegram to the Ministry of Foreign Affairs Liu pleaded with his superiors to not lose faith. He optimistically argued that “negotiations have reached their final stage, only one or two questions remain and I believe that these can be resolved in a day and after this we can put together a draft proposal.”³⁰ A few weeks later in July, still no closer to an agreement, Liu pleaded with his superiors for more time to work out an agreement, “I ask the Ministry to support [the negotiations] as much as possible.”³¹

²⁸ *ibid* 286

²⁹ “Dai Xibei Xingzheng zhangguan Ma Bufang zhi Waijiaobu dian” (6/11,13/1949) in Xue, ed. *Zhong-Su guojia guanxishi ziliao huibian* 394-396

³⁰ “Zhu Xinjiang Waijiao tepaiyuan Liu Zerong zhi Waijiaobu dian” (6/30/1949) in Xue, ed. *Zhong-Su guojia guanxishi ziliao huibian* 398-399

³¹ “Zhu Xinjiang Waijiao tepaiyuan Liu Zerong zhi Waijiaobu dian” (7/16/1949) in Xue, ed. *Zhong-Su guojia guanxishi ziliao huibian* 400-401

It is clear that despite Liu's pleas, the Ministry of Foreign Affairs was largely unwilling to make the concessions needed to reach an agreement. Even after a dramatic scaling back of the negotiations to focus only on trade, there was no overt support for the increasingly anxious negotiating team. In fact, in many cases, the Ministry was not even responding to the telegrams and requests for approval being wired out of Dihua. "It appears that the Ministry is in difficulty and all of its efforts are focused on fleeing [the CCP assault], they have apparently completely abandoned Xinjiang," wrote Ma in a tense message to the Chinese negotiator Liu Mengchun.³² By late July, the Chinese negotiators had not heard from the Ministry of Foreign Affairs in nearly three weeks and they were getting worried. They debated among themselves, weighing the fact that they had been charged with the central government with completing an agreement with the fact that they lacked any authority to sign off on any agreement without consent and approval from the central government. "If our side accepts Soviet requests and then in the future the center does not approve, then [the negotiators] will be in an extremely difficult position," wrote Liu Mengchun to the provincial governor on July 26. He went on, "when talk reaches this point I become deeply anxious."³³

Finally, on August 5, the Ministry of Foreign Affairs replied to the desperate requests from Xinjiang. The message rejected the draft proposal, saying that it was fundamentally unequal and would only result in Xinjiang's incorporation into a Soviet

³² "Dai Xibei jun xingzheng zhangguan Ma Bufang zhi Xinjiang sheng zhengfu mishuzhang Liu Mengchun dian" (no date) in Xue, ed. *Zhong-Su guojia guanxishi ziliao huibian* 405

³³ "Xinjiangsheng zhengfu mishuzhang Liu Mengchun zhi Xibei jun zhangguan Jian Xinjiangsheng zhengfu zhuxi Zhang Zhizhong dian" (7/26/1949) in Xue, ed. *Zhong-Su guojia guanxishi ziliao huibian* 406-407

sphere of influence. “It is clear that the Soviet plan is to control trade throughout Xinjiang and to deeply extend their influence” in the province.³⁴ The news came as a blow to the negotiators and in response Liu Zerong, the representative of the Ministry of Foreign Affairs in the province and the head of the Chinese negotiating team, abruptly resigned. “Now the situation in Xinjiang is becoming more tense by the day,” wrote Liu in his resignation. He went on to exclaim that “the only way [to save the situation] is to quickly finalize an agreement with the Soviets.³⁵” Yet, by August the situation in China had spiraled too far. Nationalist leaders blamed the Soviet Union for aiding the CCP and abruptly broke off the negotiation. “The surrounding of Xinjiang has already been completed,” the August 30, 1949 joint telegram from the Ministry of Foreign Affairs, the Ministry of Economic Affairs, and the NRC noted. “I fear that a trade agreement will have absolutely no effect,” it read.

It seems that these officials were indeed correct, that the conclusion of a trade agreement in late August would have made almost no difference in the province. Indeed the Nationalist regime was already unraveling. Zhang Zhizhong the former governor and Northwest Field Commander had switched sides in late June, when he swore allegiance to the CCP. Other high ranking officials including Burhan Shahidi, the governor of Xinjiang, switched allegiances on September 25, 1949 and swung the door open wide for the People’s Liberation Army and the CCP. On October 20, the capital of Dihua raised

³⁴ “Waijiaobu guanyu Xin-Su Maoyi xieding yanjiu yijian” (8/5/1949) in Xue, ed. *Zhong-Su guojia guanxishi ziliao huibian*, in Xue, ed. *Zhong-Su guojia guanxishi ziliao huibian* 407-409

³⁵ “Zhu Xinjiang waijiao tepaiyuan Liu Zerong zhi dai Waijiaobu buzhang Ye Gongchao dian” (8/13/1949), in Xue, ed. *Zhong-Su guojia guanxishi ziliao huibian* 409

the CCP flag and the so-called “peaceful liberation” of Xinjiang was largely completed. After a brief honeymoon in which the CCP tolerated the continued existence of the Three Districts of the East Turkestan Republic, this region too was inexorably absorbed into what in 1954 would be renamed the Xinjiang Uighur Autonomous Region.

Sino-Soviet Cooperation

As far as CCP officials were concerned, reestablishing close connections with the Soviet Union was a central component of their new Xinjiang policy. In a report presented to top party leaders in January of 1950, the chairman of the Northwestern Military Government Committee Peng Dehuai pointed to the extreme poverty of Xinjiang province and the difficulties facing its people. The only solution, he argued was to establish closer relations to the Soviet Union. Echoing the language used by Nationalist representatives in Xinjiang in their frantic eleventh hour negotiations with the Soviets Peng argued, “under the principle of equality and mutual benefit we must implement Sino-Soviet economic cooperation.” He went on, “only when we acquire the aid of our Soviet allies, can we gradually alleviate the difficulties of the province, bring about a thriving economy and make Xinjiang into a foundation of our country’s heavy industry.”³⁶

To facilitate cross border trade, the new government signed a new trade agreement with the Soviet Union, agreeing to export more than 29 million rubles worth

³⁶ Archival source quoted in, Li, *Xinjiang dui Su (E) maoyi shi* 556-557

of local products across the border, including 500,000 lamb pelts, 70 tons of camel hair, and 400,000 head of sheep.³⁷ In addition to trade agreements, however, a perhaps more important component of this new interaction with the Soviet Union was the creation of new agreements to jointly exploit Xinjiang's mineral wealth. Soviet negotiators and their new Chinese Communist Party counterparts wasted no time in turning back to the original draft agreements Liu Zerong and his colleagues had spent so much time wrangling over. In an internal report, a Soviet official noted that he had simply passed along a draft of an agreement over cross-border trade from May 31, 1949 that Soviet negotiators had worked out with the Nationalists to the new CCP negotiators. "The draft agreement is exactly the same," he wrote, noting that only the preface had been changed just slightly, "to reflect the political change in China."³⁸ The framework for an agreement over the establishment of two new oil and non ferrous mineral mining operations were likewise simply slightly altered drafts of unsigned agreements with the Nationalists.

In a January 1950 report to Mao Zedong, Liu Shaoqi requested that the new government "conclude an agreement with the Soviet government that was almost the same as the [earlier GMD] draft agreements."³⁹ Liu went on to note that, "now our

³⁷ *ibid* 560-561

³⁸ Translated Soviet Archival Source: "Ku'erjiukefu zhi Weixinsiji de baogao: guanyu Su-Xin maoyi xieyi cao'an" (12/24/1949), Reprinted in *Eguo jiemi dangan: Xinjiang wenti* 262-263

³⁹ Reprinted in: Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di sishi juan, shiyou gongye zhi* (Urumqi: Xinjiang renmin chubanshe, 1999) 588. He suggested that in fact this agreement could serve as a model for future agreements. "Even organizations within the imperialist countries and capitalist countries can request to undertake this type of factory or enterprise."

comrades in Xinjiang request that the Soviet Union come in,” and help set up this type of enterprise.⁴⁰ There was some urgency to Liu’s request. As he put it, “If we do not actively express our desire to have the Soviet Union come in, the Soviet Union itself will not request to set up this type of enterprise,” he noted. Little more than three months after Liu’s report to Mao, on March 27, 1950 in Moscow, the new government signed an agreement with the Soviet Union for the establishment of two jointly run and administered mining and oil drilling enterprises. The agreement was almost exactly the same in form and in content as those sweated over by Liu Zerong and his negotiating in team in 1949. The regulations were formally unveiled on September 29, 1950 and granted wide rights to the newly established Sino-Soviet Oil Company and Sino-Soviet Non-Ferrous and Rare Metals Company (Hereafter the Sino-Soviet Metals Company) to search for, survey, and exploit Xinjiang’s mineral wealth. The agreement for the establishment of the metal mining company mandated a total investment of 28 million *rubles* to be split evenly between the Chinese and Soviet governments. The oil company on the other hand, mandated an initial total investment of 46 million *rubles*.

Following the first meeting of the oversight committee for the two enterprises, the membership of which was split evenly between Soviet and Chinese representatives, the Sino-Soviet companies officially opened for business. Despite decades of surveying by both Chinese and Soviet/Russian geological and cartographical expeditions, the first task of the two companies was an intensive survey of the province’s mineral wealth and

⁴⁰ *ibid*

updating the geological and resource maps in use in the province in order to direct operations.

Non Ferrous and Rare Minerals

In 1951, its first year of operation, the Sino-Soviet Metals Company employed 250 workers in geological operations. Their importance prompted the company to more than double their number in 1952 increasing to more than 550 total workers. These workers drilled 583 meters of test wells in 1951 and dug 2,055 meters of test pits the same year. In 1952, they drilled 2,944 meters of test wells and 3,408 meters of test pits and the numbers increased again the next year to 8,145 meters of test wells and 6,842 meters of test pits.⁴¹ Soviet sources indicate that the total cost for geological and test drilling operations in the region was nearly 7 million *rubles* in 1951, a number which more than doubled by 1952 to 17 million *rubles*, and more than doubled again in 1953 to 32.56 million *rubles*.⁴²

Geological operations for the company hewed fairly close to the framework outlined by Soviet geologists in the 1940s. The key difference, however, was rather than focusing their efforts on extracting tungsten ore, the price of which had leveled off in national markets in the years since the conclusion of the Second World War, they focused on the extraction of an assortment of other minerals. These minerals, more specifically

⁴¹ Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di sishier juan: youse jinshu gongye zhi* (Urumqi: Xinjiang renmin chubanshe, 2005) 115

⁴² Translated Soviet Archival Source: “Yiwannianke de diaocha baogao:zai Zhongguo de Su-Zhong gufen gongsi qingkuang” (12/11/1954) in *Eguo jiemi dangan: Xinjiang wenti* 321

beryllium, lithium, as well as niobium and tantalum, all of which have military, critical aerospace and high tech applications and geological expeditions focused their efforts on pinpointing caches of the valuable minerals. The activities of the operations were centered in three primary places: the far northern stretches of the Altai mountains, an area near Kashgar in the far south, and Yili along the Soviet border. The majority of the company's operations, however, were centered in the far north, with 60 percent of test drilling being directed to the Altai in 1952, and 57 percent in 1954, the last year of the company.⁴³

The operations in the region grew throughout the years of the company. The total number of workers increased from 2,067 in 1951 to 6,903 in 1952 and 8,476 by 1954. And the total production on site grew commensurately: from 1951 to 1954 at the largest ore site of Koktagay, the amount of beryllium produced increased from 700 tons to 1,047 tons; lithium production grew from 1,270 tons to 4,591 tons; likewise, niobium and tantalum production (the most valuable of all three at more than 40,000 *rubles* per ton of ore) increased from one ton to nearly four.⁴⁴ Indeed, the operations of the plant's geological team appeared to confirm the views held by scholars in the Soviet Academy of Sciences, which had concluded that "the beryllium and lithium ore beds being worked by the company were the largest reserves of the minerals in the world."⁴⁵ Lacking the industrial capacity and high technology abilities to use for the rare earth minerals, all of

⁴³ Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di sishier juan: youse jinshu gongye zhi* 115

⁴⁴ *ibid* 275

⁴⁵ Translated Soviet Archival Source: "Yiwannianke de diaocha baogao:zai Zhongguo de Su-Zhong gufen gongsi qingkuang," (12/11/1954), in *Eguo jiemi dang'an: Xinjiang wenti* 321

the minerals produced at the various sites were shipped directly to the Soviet Union.⁴⁶

From 1950 to 1954, 11,368 tons of beryllium, 4,242 tons of lithium, and 15 tons of niobium and tantalum were shipped west by truck in the south and by barges on the Bu'erjin River in the far north.⁴⁷

Despite production increases, the skyrocketing costs continued to outpace production, and the amounts invested in the various ore fields annually grew from 6.8 million *rubles* in 1951 to 17 million in 1952 and exploded to 31.6 million in 1953 and 40.8 million in 1954.⁴⁸ As far as the Soviet Union was concerned, the mining operations appeared to be becoming a charity case, as they ran annual losses of 7 million rubles in 1954 and lost a total of 14 million since 1951.⁴⁹ The operation was not only running significant annual losses, but with the higher than average cost of mineral extraction and transport in the region, the prices that Soviet government buyers were paying for the Chinese share of the product was higher than the prices that they could fetch on international metal markets. According to Soviet sources, the market price of beryllium was 2,496 *rubles* per ton in 1954, but the company was charging 7,000 *rubles* per ton. Likewise, the global price for lithium was 517 *rubles* per ton but the company was

⁴⁶ According to company regulations, production was to be split evenly between China and the Soviet Union and amounts not used by one side would first offer their share to the partner.

⁴⁷ Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di sishier juan: youse jinshu gongye zhi* 639

⁴⁸ Translated Soviet Archival Source: “Yiwannianke de diaocha baogao:zai Zhongguo de Su-Zhong gufen gongsi qingkuang” (12/11/1954) Reprinted in *Eguo jiemi dang'an: Xinjiang wenti* 321

⁴⁹ *ibid*

charging 1,487 *rubles* and the cost of niobium and tantalum was 40,171 *rubles* per ton, but the company was charging 60,000.⁵⁰

Oil and Petroleum Products

Backed up by decades of Soviet and Russian interest in northern Xinjiang's oil wealth, the plans for the Sino-Soviet Oil Company were even more ambitious. The CCP leadership targeted Xinjiang's oil wealth for use in national economic development in early 1950, when Northwestern Military Government committee chairman Peng Dehuai urged that they focus their efforts on the old Soviet wells at Dushanzi. Geologists in the Xinjiang Geological Survey, most of whom had formerly worked for the Nationalists also pushed for a closer focus on Xinjiang. The province, wrote one geologist, "is China's oil depot and I can say this with utter certainty."⁵¹

To help uncover the extent of this potential oil producing hub, an ambitious new surveying plan was laid out in Beijing which sought to pinpoint the most productive sites in the province within five years. An unpublished 1950 report written by the Soviet Ministry of Oil for the Sino-Soviet Oil Company and which is contained in China's Central Geological Survey, noted that there were three regions to be targeted: the Zungar Basin north of the Tianshan Mountains and which contained Dushanzi, Kuqa just south of the Tianshan, and Kashgar in the far southern stretches of the province deep in the

⁵⁰ *ibid* 323

⁵¹ Hu Houwen, "Xinjiang shi Zhongguo de youku" (6/1950) File number 17515 (Central Geological Survey of China National Geological Data Office, Beijing, P.R.C.) 4

Tarim Basin. The report targeted 25 total oil sites making up a total of 7,505 square km of territory.

To help uncover these oil resources, the report called for the organization of 41 geological expeditionary teams. These teams would work around the clock during the five months when the weather allowed for geological surveying in northern Xinjiang and according to the ambitious plan which allowed little room for error, a complete survey of the province's oil wealth would be completed by the end of 1955.⁵² The reality did not match up exactly with the planning, however, and surveying was carried out by eight teams beginning in 1951. By 1954, that number had increased to 28 teams employing a total for 352 workers, including 82 Soviet experts.⁵³ A 1952 report held in China's Central Geological Survey, found that geological teams averaged 24 days in the field on expeditions lasting anywhere from one day to 110.⁵⁴ These teams made test wells throughout the province. While they drilled only one test well in 1951, that number increased to seven in 1952, seventeen in 1953 and 27 in 1954 for 71,335 total meters of wells over the four years of work.⁵⁵ The costs for geological surveying and test drilling

⁵² "Xinjiang diqu de hanyou wenti ji zai Xinjiang wei xunzhao shiyou ying jinxing dizhi diqiu wuli he dixing celiang gongzuo de fangxiang" (1950) File Number 10535 (Central Geological Survey National Geological Data Office, Beijing, PRC) 21-24

⁵³ "1951-1954 nian dizhi diaochachu gongzuo de jianduan baogao" (7/7/1955) File Number 0717 (Central Geological Survey National Geological Data Office, Beijing PRC), 1

⁵⁴ "1952 nian Zhong-Su Shiyou Gongsu dizhi diaochachu zongjie baogao" File Number 10556 (China Geological Survey National Geological Data Office, Beijing, PRC) 5-6

⁵⁵ Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di sishi juan, shiyou gongye zhi* 122

increased substantially over the life of the company, from 3.7 million *rubles* in 1951 to 33 million by 1954.⁵⁶

The surveying of the province's oil wealth closely followed the framework established by Soviet geologists and production teams in the 1930s and 1940s – a structure heavily weighted toward the oil fields in northern Xinjiang closest to the Soviet border. Of the 25 oil sites targeted in the province in 1950, fourteen were in the Zungar Basin, eight were in Kuqa just south of the Tianshan mountains in central Xinjiang, and three in Kashgar in the Tarim Basin in the far south. Likewise, the geological planning reports called for 21 of the proposed 41 expeditionary teams to be focused on the Zungar Basin, thirteen on Kuqa, and seven on the Tarim.⁵⁷ As a consequence, drilling and extractive activities were heavily weighted toward northern Xinjiang and the Zungar basin and more specifically toward the established oil fields at Dushanzi. The company drilled 71 wells in the 110 square meter Dushanzi region for a total depth of more than 75,000 meters. At the relatively nearby oil field of Karamay (or Coal Tar Mountain – *Heiyoushan*, as it was also called), which was largely overlooked by Soviet explorers and which continues to be a major oil producing center, the company drilled only four wells for a total of 338 meters. In the Tarim Basin in the far south, a region which includes

⁵⁶ Translated Soviet Archival Source: “Yiwannianke de diaocha baogao:zai Zhongguo de Su-Zhong gufen gongsi qingkuang” (12/11/1954) in *Eguo jiemi dang'an: Xinjiang wenti* 323

⁵⁷ “Xinjiang diqu de hanyou wenti ji zai Xinjiang wei xunzhao shiyou ying jinxing dizhi diqiu wuli he dixing celiang gongzuo de fangxiang” 21-24

both Kashgar as well as Kuqa, only 11 wells were dug between 1951 and 1954 and of these nine were drilled around Kashgar.⁵⁸

Focusing on already well established oil fields, the Sino-Soviet Oil Company was more immediately successful than the mineral mining enterprise. Production increased substantially over time, growing from 3,500 tons in 1951 to 52,100 in 1952, 70,200 in 1953, and 75,000 in 1954.⁵⁹ The raw oil extracted in northern Xinjiang was shipped to the large-scale refinery operations at Dushanzi and turned into gasoline, kerosene, and diesel fuel. The amount of production was not insignificant, yet, throughout the life of the company, production never exceeded the demand for petroleum within the province itself. For every year from 1952 to 1954, nearly 80 percent of the total production was re-sold within the province and the remainder was used within the enterprise itself.⁶⁰ Yet, even these amounts were insufficient to meet provincial demand for gasoline, kerosene, and diesel fuel. If the Soviet Union had hoped to use oil production in Xinjiang to supplement their own wells in Baku, they were in for a

⁵⁸ Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di sishi juan, shiyou gongye zhi* 129-155

⁵⁹ Translated Soviet Archival Source: “Yiwannianke de diaocha baogao:zai Zhongguo de Su-Zhong gufen gongsi qingkuang” (12/11/1954) Reprinted in *Eguo jiemi dang'an: Xinjiang wenti* 321, See also Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di sishi juan, shiyou gongye zhi* 224

⁶⁰ Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di sishi juan, shiyou gongye zhi* 545

disappointment, as Soviet projections predicted that production would not exceed provincial demand until 1957 at the earliest.⁶¹

From a purely financial perspective the enterprise was a success. Soviet accounting in late 1954 point to profits throughout the life of the company. Despite a total investment of over 200 million *rubles* over four years, profits grew from 520,000 rubles in 1951 to a high of 2.39 million rubles in 1953. With ambitious plans on the table to continue expanding the scope of the company, Soviet officials expected continued profits over time. The size of its labor force grew throughout its existence, from 2,509 workers in 1951, to 5,522 in 1954, and plans were in place to continue expanding operations in order to increase profits and drive down the high costs of production through economies of scale.⁶² The planned operations would blanket the province and vastly increase the flow of oil. Soviet officials were quite sanguine about the prospects of the partnership. While the mineral mining enterprise had reported substantial annual losses, including a shortfall of 6.86 million *rubles* in 1953, it appears that the relative success of the oil company was incentive enough to keep the partnership going. The 1954 annual report on the oil company contained in Soviet archives called for a huge expansion in oil drilling in the province. It called for an increase in total drilled meters from 42,000 meters annually to 75,000 meters in 1955 and 100,000 in 1957. By 1956, Soviet officials were expecting profits of around 3 million rubles for the enterprise.

⁶¹ Translated Soviet Archival Source: “Yiwannianke de diaocha baogao:zai Zhongguo de Su-Zhong gufen gongsi qingkuang” (12/11/1954), Reprinted in *Eguo jiemi dang'an: Xinjiang wenti* 323

⁶² Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di sishi juan, shiyou gongye zhi*, 478; See also *ibid* 594-595 for a reprinted report on how to resolve the problems facing the enterprise

All was not well with the two operations, however, and tensions were beginning to emerge between the Soviet and Chinese partners as early as 1953. That year, the Soviet consul in his annual report on the two joint-stock companies pointed out that “serious deficiencies and violations of the principle of equality” were occurring at the mines at the hands of Soviet plant managers.⁶³ To rectify the problem and maintain good relations with their Chinese counterparts, Soviet officials completely revamped the management assigned to the Sino-Soviet Metal Company in particular, bringing in a new company manager in January of 1954 and over the course of the next five months, cashiered 79 Soviet workers at the plant. In addition, they held various meetings, invested in money to improve the living conditions of workers at both plants, and the Soviet vice minister of Foreign Affairs held tense private meetings with the two Soviet managers of the companies, pressing them to fix the problems. They could not afford additional problems. As a Soviet Foreign Ministry report noted, “this year we must not have any of the previous types of violations of the principle of equality.”⁶⁴

The Chinese archival record and public documents are silent on relations with the Soviet Union within the two enterprises. It seems clear, however, that by the summer of 1954, Chinese officials had already raised the prospect of ending the partnership with their Soviet counterparts. As early as August 5, 1954, Soviet officials serving as the official delegation to Beijing to celebrate the fifth anniversary of the founding of the People’s Republic already had negotiating the dissolution of the two Sino-Soviet

⁶³ Translated Soviet Archival Source: “Youjia gei Zuolin de baogao : gaijin Xinjiang gufen gongsi gongzuo wenti” (6/28/1954) Reprinted in *Eguo jiemi dangan: Xinjiang wenti* 315

⁶⁴ *ibid*

companies with CCP leadership on their agenda.⁶⁵ Not surprisingly, with the decision to dismantle the two companies already in the works, when Premier Zhou Enlai called for the expansion of company operations into the newly discovered oil fields of Turfan in eastern Xinjiang on September 13, 1954, the Soviet representatives of the company politely declined to pony up their share of the needed investment. One month later, and two days after the fifth anniversary celebration, the two sides reached an agreement for the Chinese partners to buy out their Soviet counterparts share in the enterprise for over 100 million *rubles* for the two enterprises. According to the agreement, the Sino-Soviet enterprises would shut their doors on December 31, 1954 and the next day, on January 1, 1955 a new wholly Chinese owned company would open in its place.

At various celebratory meetings on December 30, Chinese officials lauded their Soviet counterparts. As the head of China's Ministry of Heavy Industry exclaimed in a ceremony for the Sino-Soviet Non-Ferrous and Rare Metals Company, "to all of our Soviet comrades and to all those comrades who have already returned home, we send our best regards and through you all we would like to convey a heartfelt thank you to the government of the great Soviet Union."⁶⁶ Soviet officials were bullish on the future prospects for mineral extraction in the province, and indeed were quick to take at least partial credit. Regarding oil extraction, a Soviet report notes that "the company has

⁶⁵ Translated Soviet Archival Source: "Kuerjiukefu cheng Weixinsiji de qingshi :Sulian daibiaotuan fang Hua you guanshiyi" (8/5/1954) Reprinted in *Eguo jiemi dangan: Xinjiang wenti* 317

⁶⁶ Xinhua News Service: "Wulumuqi juxing Zhong-Su youse ji xiyou jinshu gongsi jiaojie yishi qingzhu dahui" (Dec 31, 1954)

already established a needed foundation for material technological skills enough guarantee that the People's Republic's Xinjiang oil industry will develop further.”⁶⁷

Even accounting for some degree of braggadocio from the Soviets, there is no question that China's oil and mining industry in the province had much to be thankful for. Soviet geologists led nineteen surveying teams into Xinjiang to survey the province's mineral wealth in the years between 1951 and 1954 and also helped lay the foundation for transportation infrastructural development.⁶⁸ Soviet geologists and surveyors likewise played a central role in the day to day surveying and geological operations of the two plants. Of the 262 person staff of the geological office in the Sino-Soviet Oil Company in 1954, 30 percent were so-called Soviet “experts.”⁶⁹ An additional 348 Soviet experts worked in the Sino-Soviet Rare and Non-Ferrous Metal Company in the four years of the enterprise.

Soviet aid and technical assistance was also instrumental in linking the ore fields to the province's internal and international transportation infrastructure. In Xinjiang's far north, transport centered around the Bu'erjin River, along which the rare earth minerals of Koktagay were shipped back to the Soviet Union. By July of 1952, 50 workers were employed on the docks of the Bu'erjin and 40 trucks were dedicated to navigating the three day, 320 kilometer route from the river to the ore fields in the Altai Mountains. By

⁶⁷ Translated Soviet Archival Source: “Yiwannianke de diaocha baogao:zai Zhongguo de Su-Zhong gufen gongsi qingkuang” (12/11/1954) Reprinted in *Eguo jiemi dang'an: Xinjiang wenti* 322

⁶⁸ Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di jiu juan (xia), dizhi kuangchan zhi* (Urumqi: Xinjiang renmin chubanshe, 1999) 825-854

⁶⁹ “1951-1954 nian dizhi diaochachu gongzuo de jianduan baogao” 1

1953, the number of workers had been expanded to 611 and 145 trucks capable of carrying 494 tons of ore were dedicated solely to transport.⁷⁰ In September 1954, a new highway was established connecting ore sites high in the Altai into the provincial network centered around the provincial of Dihua. Similarly, in the oil fields of north-central Xinjiang, a new highway was being planned in 1954 to connect the Karamay and Dushanzi oil fields into the Wusu – Altai highway. This line was intended to facilitate the transport of oil within Xinjiang, and later connect the oil fields into a national transport network connected to China-proper.

Neither did the ending of the two companies in December of 1954 eliminate Soviet participation in geological surveying, mineral extraction, and ore transport activities in the province. Even after the re-establishment of the Sino-Soviet Rare and Non-Ferrous Metal Company as a wholly Chinese owned company in 1955, 156 Soviets continued to serve as advisors and technicians. Similarly, Soviet experts remained in place on many geological and extraction teams throughout the province.⁷¹ Many work units throughout the province continued to employ Soviet experts during this period, but the desire to institutionalize on-going Sino-Soviet cooperation prompted the signing of an agreement formalizing Soviet assistance for China's exploration of Xinjiang. Indeed, on June 30, 1955, Chinese and Soviet officials signed the number 6004 agreement which, set to last from July 1955 to December 1958, created the framework for on-going Sino-Soviet cooperation. According to a Chinese Ministry of Geology report, the agreement

⁷⁰ *ibid* 545-546

⁷¹ Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di sishier juan: youse jinshu gongye zhi* 629

“allocated experts from the Soviet Geology and Mineral Protection Offices who will employ techniques and skills used by Soviet geological teams.”⁷² Focusing on the mineral rich region of Altai in Xinjiang’s far north as well as Kashgar in the far south, the mixed Soviet-Chinese geological expedition (labeled Large Team 13) which employed 54 so-called Soviet experts, would draw maps, survey ores, and write reports that would be submitted directly to Beijing.⁷³ According to annual reports, from 1955 to 1956, the team surveyed over 8,800 square kilometers and took in 6,739 ore samples for further investigation.⁷⁴

The foundation constructed by the Sino-Soviet companies and by the legions of Soviet experts who served as the technological core of the geological and mineral extraction teams in the province laid the groundwork for future mineral operations in the region. The Sino-Soviet Rare and Non-Ferrous Metals Company laid the framework for the massive extraction of minerals in the Altai Mountains in the far north, and the operations of the Sino-Soviet Oil Company in the province helped put Xinjiang’s oil wealth on People’s Republic of China’s national economic development maps in the late 1950s with the large-scale exploitation and transport of the province’s oil wealth. Soviet technology and personnel served as the backbone of geological and ore extraction enterprises in the province until the late 1950s, when shifting diplomatic relations

⁷² “1955-1958 nian Xinjiang dizhichu baogao chubu sheji” (1960) File Number 90131 (China Geological Survey National Geological Data Office, Beijing, PRC) 1

⁷³ Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di jiu juan (xia), dizhi kuangchan zhi*, 25

⁷⁴ “1955-1956 nian Menggu Aletai Xinjiang bufen Salasumei diqu M-45-32, , M-45-33, M-45-34 fu 1/20 wan dizhi celiang ji pucha gongzuo baogao” (1957) File Number 13917 (China Geological Survey National Geological Data Office, Beijing, PRC)

between China and the Soviet Union prompted a rapid ending of their participation in the development of Xinjiang.

The Xinjiang Oil Boom

In a June 1954 meeting of the central committee, Chairman Mao asked, “What can we produce?” Answering his own question he went on, “we can make a chair, we can make a tea cup and a tea pot, we can produce grain and grind flour and we can make paper. But we cannot produce a car, a plane, a tank, or a tractor.”⁷⁵ This, Mao suggested, was a terrible error. The first five year plan (1953-1957, hereafter FFYP) sought to rectify this inadequacy: “In this interim stage, Socialist Industrialization is our country’s central responsibility, but Socialist Industrialization’s central link is to prioritize the development of heavy industry.” Under the FFYP, CCP officials put a heavy priority on the production capacity of the “fuel industry” with a particular focus on oil to help drive the coming heavy industry boom in China.⁷⁶ Officials hoped that Xinjiang, with its large untapped reserves of oil be able to play a central role in this process.

The burden of uncovering China’s oil wealth and integrating it more clearly into national development plans fell on the shoulders of China’s geological community. The Ministry of Geology’s Ore Surveying Committee was originally founded in the spring of 1954 in order to help uncover coal, iron, non-ferrous metals, chromium, and nickel. But in a December 1954 conversation, the preeminent former geologist for the GMD Huang

⁷⁵ Bo Yibo, *Ruogan zhongda juece yu shijian de huigu* (shang) (Beijing: Zhonggong dangshi chubanshe, 2008) 205-206

⁷⁶ Quoted in: Dong Zhikai, *Xin Zhongguo gongye de dianjishi: 156 xiang jianshe yanjiu* (Guangzhou: Guangdongsheng chubanshe, 2004) 93

Jiqing, who was tapped to serve on the committee, was told unequivocally that beginning in 1955, the committee's efforts would be directed toward pinpointing China's oil and natural gas reserves and "they were not to undertake surveying of other types of minerals."⁷⁷ In a June 1955 report titled "Several Important Problems with Heavy Industry Production at Present" given before the Central Committee of the CCP in 1955, the vice chairman of the National Planning Commission Bo Yibo expressed his frustration with the slow pace of oil surveying in particular by China's geological community, complaining that "geological work is weak; the coal, electricity, and oil supply is strained."⁷⁸ With pressure cascading down from above, the geological community set out to not only uncover China's mineral wealth, but also to ensure that it was being integrated into national development plans. Armed with data from the files of their predecessors in Republican China's National Geological Survey, with reports from Soviet geologists, and with new reports accumulated in the four years of the Sino-Soviet Oil Company, Xinjiang's oil wealth was a focal point for China's economic planning community.

As far as economic planners were concerned, not all of Xinjiang's oil rich sites were equal. Instead, desperate to quickly ramp up China's domestic oil production, they focused their efforts on oil fields located close to transportation networks, oil production infrastructure, and those which had already been well-surveyed and excavated by Soviet and Chinese geologists. Oil rich regions in the more isolated Tarim basin in Xinjiang's

⁷⁷ Huang Jiqing, "Wo yu shiyou, tianranqi de pucha kantan" in *Huang Jiqing shiyou dizhi zhuzuo xuanji* (Beijing: Kexu chubanshe, 1993) 154-198, 169

⁷⁸ Bo Yibo, *Ruogan zhongda juece yu shijian de huigu* 206

far south were completely passed over by central government planners during the FFYP. It is not that the region's oil wealth was unknown. The initial 1950 geological planning reports for the Sino-Soviet Oil Company called for the exploration of eleven oil sites at various spots scattered around the edges of the Tarim Basin and from 1952 to 1954, eleven surveying teams including one aerial surveying team were charged with pinpointing the region's oil wealth and directing future operations.⁷⁹ In 1953, Tarim Basin geological teams surveyed over 23,000 square kilometers for the Sino-Soviet Oil Company.⁸⁰ Yet, the high cost of operations in this isolated region, the difficult topography, and the lack of transportation infrastructure, prompted a slow down in geological activities in Xinjiang's far south in 1954. Three shallow test wells dug near Yengisar south of Kashgar in 1953 were plagued by blowing sand and low production and by the end of the year, with only one of the wells even reaching bed rock, production was halted and the wells abandoned.⁸¹ The shift toward the north and the attempt to focus their energies on proven, more easily accessible oil reserves in northern Xinjiang, was made official in 1954, when the central government declared that "the center of gravity for exploration should be readjusted to Northern Xinjiang."⁸²

⁷⁹ "Xinjiang diqu de hanyou wenti ji zai Xinjiang wei xunzhao shiyou ying jinxing dizhi diqu wuli he dixing celiang gongzuo de fangxiang," 21-24

⁸⁰ "1953 nian Zhong-Su Shiyou Gongsu dizhi diaochachu dizhi nianbao" (1954) File Number 10562 (China Geological Survey National Geological Data Office, Beijing, PRC) 9-10

⁸¹ "1951-1954 nian dizhi diaochachu gongzuo de jianduan baogao," 4-5

⁸² Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di jiu juan (xia), dizhi kuangchan zhi* 95; see also Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di sishi juan, shiyou gongye zhi* 199

In early January 1955, officials in the newly established Xinjiang Oil Company wrote a report for the upcoming meeting of the Ministry of Geology's Oil Surveying Work Committee. The report called for a greater focus on a place known as Coal Tar Mountain. Located one hundred and fifty kilometers north of the oil field at Dushanzi and deep in the Zungar basin, the oil wealth of Coal Tar Mountain was no secret. In fact, it was a region that was targeted as one of 25 potential oil sites in the Sino-Soviet Oil Company's first geological planning report submitted in 1950.⁸³ The next year, the annual report on the geological activities of the Sino-Soviet oil enterprise noted that three different drilled wells at the site each experienced gushers at the relatively shallow depth of around 500 meters.⁸⁴

At the first annual meeting of the national Oil Surveying Work Committee, which met on January 20, 1955 in Beijing, Xinjiang's oil fields were heavily touted by high ranking officials. In the end, Coal Tar Mountain was one of only five prioritized for surveying and test drilling around China.⁸⁵ Highlighting the importance of the region and its oil, a few months later, Huang Jiqing and a team of four other high ranking geologists took a tour of the northwest. In a report published the next year, Huang insisted that the Zungar basin is the most oil rich spot in the northwest and urged "we should strengthen

⁸³ "Xinjiang diqu de hanyou wenti ji zai Xinjiang wei xunzhao shiyou ying jinxing dizhi diqu wuli he dixing celiang gongzuo de fangxiang" 21-24

⁸⁴ "1951-1954 nian dizhi diaochachu gongzuo de jianduan baogao" 5

⁸⁵ See Huang Jiqing, "Wo yu shiyou, tianranqi de pucha kantan" 172-174

oil surveying work in the Coal Tar Mountain- Wu'erhe region.”⁸⁶ Surveying and test drilling commenced throughout 1955 and finally, on October 29, when workers removed the slurry from the drilling pipes, oil associated gas was detected. The next day, oil itself began to gush from the hole in a sizable geyser, producing seven tons of raw oil the first day and eight tons the next.⁸⁷ Reveling in their discovery, one Chinese member of the surveying team described the scene: the gusher turned the sky red “like the rising sun emerging in all of its splendor.”⁸⁸

Despite the awe inspiring spectacle, geologists and planners were unsure how to proceed. Coal Tar Mountain was located a bumpy 150 kilometers to the north of the old Soviet and later the Sino-Soviet funded oil operations at Dushanzi. The site was deep in the arid Zungarian basin, far from transportation infrastructure and a long way from the primary refining operations in Anjihai which is located only a short drive from Dushanzi. A debate raged among geologist about whether Coal Tar Mountain was truly the site of a new and promising oil field or the false promise of “the vestiges of oxidized oil” bubbling to the surface, as more pessimistic geologists suggested.⁸⁹ According to the memories of Chinese participants, with few exceptions, the consensus among Soviet

⁸⁶ Huang Jiqing, “Zhunge’er he Chaidamu pendi de gouzao tezheng ji qi hanyou yuanjing” in *Huang Jiqing shiyou dizhi zhuzuo xuanji* (Beijing: Kexu chubanshe, 1993) 105-111, 107

⁸⁷ Zhang Wenbin, “Xin Zhongguo shiyou gongye diyi qu zhuangge” in Habudula, ed. *Xinjiang shiyou gongye shiliao xuanji, shangce* (Urumqi: Xinjiang nongkeyuan yinshuachang, 2000) 343-349, 346

⁸⁸ Zhang Yi and Wu Qingfu, “Kelamayi youtian de jueqi” in Habudoula, ed. *Xinjiang shiyou gongye shiliao xuanji, shangce* 171-180, 171

⁸⁹ Zhang Wenbin, “Xin Zhongguo shiyou gongye diyi qu zhuangge” 345-346; For more on this debate, see *Xinjiang tongzhi, di sishi juan, shiyou gongye zhi* 83-84

geologists was that rather than wasting time and energy drilling deeply in this region so far north, future efforts should be directed farther south in the areas near the Tianshan Mountain range and closer to the old Dushanzi enterprise.⁹⁰ At a meeting little more than a week after striking oil, one well known Soviet geologist argued that “we absolutely cannot expect to find a highly productive gushing well.” He went on, “we must wait until we go farther south for that.”⁹¹

His opinion along with his supporters in the meeting, however, were shouted down by other geologists who took Coal Tar Mountain’s gushing number one oil well as proof enough of the region’s substantial reserves. At the tense on-site meeting, which commenced little more than a week after the awe inspiring gusher, one Chinese geologist argued that after completing additional surveys, “we will place the well and begin energetically developing it, and [we must] do it quickly, I hope we can all be united on this.” Another said, “The number one well is a real example, the oil level and the cap level are good; next year we [should] drill throughout the rest of the geological structure, verify the oil field, and invest in production.”⁹² In a follow-up report written by the geological surveying office of the Xinjiang Oil Company the next January, geologists sought to brush aside the calls for caution and instead urged them to immediately begin

⁹⁰ Zhang Yi and Wu Qingfu, “Kelamayi youtian de jueqi” 177

⁹¹ “Bei Kelamayi dizhi chubu zongjie baogao” (11/8/1955) File Number 9581 (China Geological Survey National Geological Data Office, Beijing, PRC) 5-7

⁹² *ibid*

exploiting the region's oil for the good of China, "the nation's need for oil is urgent, and producing oil cannot wait for the completion of a survey."⁹³

Officials in Beijing who were desperately seeking to increase China's oil production were more than willing to overlook the misgivings and embrace the more optimistic projections and push forward with surveying the area. On November 26, an article in the *People's Daily* trumpeted Coal Tar Mountain, noting that the oil here was shallow and easy to access and that "compared to other oil fields being prepared and currently being drilled, investment was far less."⁹⁴ A report from Li Jukui the head of the Oil Industry Office in Beijing, which was based on a tour he took of the site in December 1955 and was submitted to high ranking party members Chen Yun, Li Fuchun, and Bo Yibo, trumpeted the new discovery. "This proves that the large area from Dushanzi to Coal Tar Mountain is a desirable area where oil accumulates." He went on, "therefore we should concentrate our energies on vigorously surveying it."⁹⁵

Hoping to maximize production to meet the demands for oil coming down from Beijing, officials in Xinjiang chose to concentrate their efforts on uncovering highly productive new oil wells in the vicinity of Coal Tar Mountain. The strategy, coined "cast a larger net and catch bigger fish" by vice chair of the Oil Industry Office Kang Shi'en called for the laying of a thick net of prospecting wells across the Coal Tar Mountain region to pinpoint the most productive potential wells. By May 1956, teams in the area

⁹³ "Dushanzi chubu zongjie baogao" (1/16/1956) File Number 9582 (China Geological Survey National Geological Data Office, Beijing, PRC) 18-19

⁹⁴ Reprinted in Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di sishi juan, shiyou gongye zhi* 595

⁹⁵ *ibid* 597

(which was officially renamed Karamay that same month, the name being a translation of “coal tar” into Kazak) had already drilled nineteen new test wells, nine of which were producing oil. By the end of the year, drilling teams had completed an impressive 29.⁹⁶ By the end of 1956, wells on-site produced more than 16,000 tons of raw oil, an amount making up one-third of the province’s total production.⁹⁷ This number was still below production levels at the Sino-Soviet oil operations at Dushanzi in 1953, when the site produced more than 70,000 tons of raw oil.⁹⁸ But in 1957, Karamay produced 70,000 tons, an amount which made up nearly three-quarters of Xinjiang’s total production.⁹⁹ Tracking the increases at Karamay, the total oil production capacity for the province nearly doubled from 1956 to 1957 from 129,000 tons of oil to 247,000.¹⁰⁰ Central government investment in oil production nearly doubled from 1955 to 1956 from 86 million yuan to 176 million, nearly all of which was focused on the northern stretches of the province and on Karamay in particular.¹⁰¹

The trajectory of drilling and oil extraction only increased in 1958. Ambitious new economic production marching orders were streaming out of Beijing, as Mao called

⁹⁶ Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di sishi juan, shiyou gongye zhi* 84-85, See also: “Xinjiang shiyou guanliju guanyu kaifa Kelamayi youqu de baogao,” 49

⁹⁷ Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di sishi juan, shiyou gongye zhi* 234

⁹⁸ *ibid* 229

⁹⁹ *ibid* 234

¹⁰⁰ *ibid* 202

¹⁰¹ *ibid* 517

for a critique of the “opposition to rash advances” and later declared that China would undertake a “great leap forward.” For the economic planning community, Mao’s statements and the party’s orientation appeared to call for drastic increases in geological surveying, drilling, and oil and ore extraction. It was not long before the new approach reached Xinjiang. In February of 1958, Deng Xiaoping criticized planners putting together the second five year plan (hereafter SFYP) for their lack of ambition when it came to the Karamay oil fields. He noted that the plans for 1959 called for the oil enterprise at Karamay to produce 400,000 tons of oil, a reasonable amount considering the fact that the production in 1958 topped out at little more than 333,000 tons. This, he suggested, however, was “too little.” Deng estimated that all of Xinjiang was capable of producing a massive 3 million tons annually and should be producing at least 2 million tons annually by the end of the SFYP.¹⁰² Later, Deng’s enthusiasm was embraced by provincial officials, who at an April 30 meeting of the party committee of the Xinjiang Oil Oversight Office, called for a “leap forward in planning to serve as the foundation for an even greater leap forward.” They called for teams in the province to drill more than 450,000 meters of wells in 1958, a more than three-fold increase over 1957 and by 1962 to be producing 5 million tons of oil annually.¹⁰³

These marching orders were extended to work units toiling in oil fields throughout the province. In October 1958, at an on-site meeting of the Oil Industry

¹⁰² *ibid* 598

¹⁰³ “Xinjiang shiyou guanliju zhaokai kuangqu yiji dang daibiaodahui de jue ding” (4/30/1958), Archival reprint in Kelamayi shi dang’an ju, ed. *Dang’an zhong de Kelamayi* (Urumqi: Xinjiang renmin chubanshe, 2008) 92

Office held at Karamay, which was attended by 1,000 high ranking officials, workers, and cadres, new drilling targets were issued to drill teams who were urged to “exceed 1,000 [meters] monthly, and exceed 10,000 [meters] annually.”¹⁰⁴ In 1958, 78 teams were able to exceed the 1,000 meters monthly mark with one team drilling a total of 4,525 meters in one month. For the year, 19 teams exceeded the 10,000 meters mark, with one team drilling a total of 18,975 meters.¹⁰⁵ At a February 1959 meeting unveiling the 1958 annual report for the Dushanzi Mining Affairs Office, the head of the office Wang Youtian offered the opening convocation and praised workers and cadres in their efforts to make the great leap. He noted that they “were full of enthusiasm, and were so absorbed in their work that they forget to eat and sleep, that they did not notice blowing snow and severe cold.” Wang went on, you have “made out production results leap and leap again” and concluded pointing out that drilling and oil extraction had exceeded annual plans.¹⁰⁶

Officials focused their efforts on established ore sites like Karamay, blanketing the ore rich regions with new wells, seeking to squeeze out every last drop of oil. At a November 1959 meeting of the leadership for the Oil Industry Office, leaders called for strengthening surveying and test drilling in established ore fields in order to “ferret out second tier tectonic structures” capable of yielding oil. In Karamay, officials sought to

¹⁰⁴ Wu Huayuan, “Zai Xinjiang zhaoyou de rizi” in Habudoula, ed. *Xinjiang shiyou gongye shiliao xuanji, shangce* 212-263, 252

¹⁰⁵ Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di sishi juan, shiyou gongye zhi* 31

¹⁰⁶ “Dushanzi Kuangwu Ju 1958 niandu dizhi kantan huiyi huibian” (2/1959) File Number 17480 (China Geological Survey National Geological Data Office, Beijing, PRC)

find “the second Karamay.” In their annual planning for 1960, they called for drilling 62 new wells in the region reaching a total depth of 161,300 meters. In order to find this new Karamay, an ambitious drilling plan was laid out in which 22 of the test wells would be dug within a mere two kilometers of one another and 30 were within four kilometers of one another. Officials hoped that the plan would lay bare 100 million tons of new oil reserves. Plans for 1961 called for an additional 66 wells closely packed in this stretch of the Zungar basin reaching a total depth of 200,000 meters.¹⁰⁷ Other established oil fields throughout the Zungar basin and stretching east to the Turfan-Hami basin in eastern Xinjiang were likewise the subject of intense surveying and drilling campaigns throughout the late 1950s.

The spirit of the Great Leap and the desire to ever exceed expectations necessitated that provincial leaders and economic planners not merely rely on the old oil producing wells. Instead, the period from 1958 to 1961 is notable for the increase in the scope of geological surveying and drilling throughout Xinjiang. In August 1958, provincial officials set up the Tarim Mining Affairs Office branch office of the province’s Geological Surveying Office was set up to begin uncovering the Tarim basin’s oil wealth and incorporate it into Xinjiang’s skyrocketing oil surveying and production targets. Following in the footsteps of the geological activities of the Sino-Soviet Oil Company, the office focused its efforts on an ore field located 120 kilometers northwest of Kuqa in central Xinjiang, squeezed between the Tianshan mountains and along the

¹⁰⁷ “Xinjiang Shiyou Guanliju Kezi yanjiu Zhunge’r pendu beibu diqu shiyou kantan yanjiu zongjie baogao” (1/1960) File Number 21378 (China Geological Survey National Geological Data Office, Beijing, PRC) 82-86

northern edge of the Taklimakan desert. The office chose to rely on shorter, more portable drills brought in from the northern Xinjiang oil fields in order to reduce transport costs and begin drilling more quickly. The first section of drill arrived by truck on August 19 and after less than two months of intensive drilling, the Yiqikelike well began to spew oil.¹⁰⁸ In 1958, surveying and drilling operations were established at several other targeted oil spots around the Tarim basin, from Kashgar in the far south to Luntai, located east of Kuqa.¹⁰⁹

The total number of wells drilled in Xinjiang increased by nearly ten times from 1957 to 1958, growing from 148 wells to 997.¹¹⁰ The increasing scope of oil extraction activities resulted in a massive increase in the number of workers working in the oil industry. While there were 7,333 working in various capacities of the Xinjiang's Oil Oversight Office in 1955, that number skyrocketed to 24,588 in 1958 and nearly doubled again in 1960, reaching 41,234 workers.¹¹¹ The number of oil wells and overall oil production likewise increased substantially during this period. Total oil production grew from 95,000 tons in 1957 to 357,000 tons in 1958 and jumped again in 1960 to 1.66 million tons.¹¹² The increased attention transformed once isolated oil fields like Karamay nearly overnight. Karamay itself emerged like a specter out of the arid Zungar basin beginning in 1956. Big plans were in place for the oil field. A report on planning for

¹⁰⁸ See Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di sishi juan, shiyou gongye zhi* 209

¹⁰⁹ See *ibid* 145-151

¹¹⁰ *ibid* 122

¹¹¹ *ibid* 478

¹¹² *ibid* 224

1957 called for the import of 1,000 trucks to aid in transport and officials were laying the infrastructure for an expected 29,000 workers and cadres working on site.¹¹³ Similarly changes though on a lesser scale were underway at oil fields throughout the province.

Despite the dazzling increases in workers, meters drilled, and oil produced, during the Great Leap Forward period the long term gains were largely illusory.¹¹⁴ Oil production dropped in 1962 to 870,000 tons down from 1.67 million in 1960. Likewise, total labor dropped by more than 30 percent from 1960 to 1962, falling from 41,234 to 27,339. Often the herculean labor of individual geological and surveying teams were not coordinated and did little more than pad the statistics for local work units and provincial economic planners. While new highway linkages constructed in the late 1950s and early 1960s connected major oil fields like Karamay into a broader provincial transport network, many newly discovered ore fields and oil wells in isolated corners of the province remained largely off of the grid.

Integrating Xinjiang's Minerals into the Nation

¹¹³ “Xinjiang shiyou guanliju guanyu kaifa Kelamayi youqu de baogao” (5/26/1956) Archival reprint in *Dang'an zhong de Kelamayi* 49. According to a 1961 report, the total number of workers on site by 9/1961 was 25,135, see “Kelamayi 1956 nian dao 1961 nian jiben qingkuang diaocha baogao” Archival reprint in *Dang'an zhong de Kelamayi*, 124-125

¹¹⁴ As the fervor of the Great Leap cooled, oil production declined substantially. Oil production dropped in 1962 to 870,000 tons down from 1.67 million in 1960. Likewise, total labor dropped by more than 30 percent from 1960 to 1962, falling from 41,234 to 27,339.

American officials were obsessed with Sino-Soviet activities in Xinjiang's far north and were convinced that the Soviet Union was supervising the extraction of uranium and other radioactive materials for use in the burgeoning Soviet nuclear program.¹¹⁵ In 1955, less than a month after the collapse of the Sino-Soviet companies in Xinjiang, China and the Soviet Union signed a new agreement, "Regarding the search for radioactive elements in the People's Republic of China, a Protocol on Appraisal and Geological Work." Shortly thereafter, the new 519 team was created to specialize in the surveying of radioactive elements and was instrumental in pinpointing various ore sites. There is little available evidence on the mining and transport of radioactive materials out of northern Xinjiang or anywhere else in Xinjiang for that matter.¹¹⁶ Yet, it seems clear, that Sino-Soviet mining and mineral extraction was far more concerned with the extraction and transport of various valuable minerals like lithium, beryllium, tantalum,

¹¹⁵ American officials were speculating about the Soviet quest to gain access to uranium ore in Xinjiang's far north since the late 1940s. The Central Intelligence Agents were dispatched to the Altai Mountains to confirm these claims, but ultimately nothing was verified. Indeed, according to an analysis of ore samples recovered from the mines in 1947, which CIA agents forwarded to their superiors, the rocks were non radioactive beryl and bismuthinite (National Archives, Record Group 59, Stack Area 250, Row 50, Compartment 30, Shelf 4: Special Assistant to the Secretary of State for Atomic Energy and Outer Space. "21.17 Country File- China – Nationalist f. Sinkiang, 1947-1949" Letter dated August 22, 1947). Despite post 1949 efforts, it seems that American officials were unable to gain any specific proof of uranium extraction in Xinjiang's far north. It seems fairly clear from material available today that if there was any uranium extracted in the Altai, it was extracted in far smaller amounts and was less an important product than minerals like beryllium, lithium, tantalum and niobium. Thank you to Charles Kraus, for giving me access to the reports he collected in the National Archives.

¹¹⁶ Sources reveal that there are radioactive materials in the Altai, noting that there are more than 20 sites for radioactive elements. see "Guanyu shencha Keketuohai di 3 hao kuangmai 1946-1957 nian yi yue yi ri dizhi kantan gongzuo ji pi, li tan, ni yanghua wu deng zonghe chuliang jisuan baogao de jueyi" (1958) File Number 12984 (China Geological Survey National Geological Data Office, Beijing, PRC) 24-27

and niobium. Located in Xinjiang's far north in a region that had long since enjoyed solid infrastructural connections to the Soviet Union along the Bu'erjin River, these minerals were the last gasp of a cross-border mineral extraction and transport nexus linking China and the Soviet Union.

Soviet surveying teams and mining enterprises had been actively involved in the mineral fields of northern Xinjiang since 1940, when they began large-scale surveying in the region. Despite the protests from Nationalists officials (See Chapter 5), these activities continued throughout the late 1940s, when mining teams from the Soviet non-ferrous metals bureau operating in the Altai mountains from 1946 to 1950 extracted 2,442.6 tons of beryllium, 3,980.6 tons of lithium, and 3.4 tons of niobium and tantalum. Picking up where they left off, the Sino-Soviet company extracted nearly 900 tons of beryllium in 1951 and 951 tons the next year, as well as 1,344 tons of lithium and 2,804 tons during the same time period.¹¹⁷ The year 1953 marked a turning point in operations, as enterprise leaders called for an extended focus on geological expeditions and surveying which in turn yielded the Koktagay ore field deep in the Altai mountains. With the foundation established by the Sino-Soviet company, by 1957, the new wholly Chinese owned enterprise was moving more than 157,000 tons of earth and recovering nearly 150,000 tons of earth laden ore. The sizable extraction operation employed more 2,271 workers, used 82 dump truck and ten tractors that year.¹¹⁸

Like with oil, the Great Leap Forward led to massive increases in production and extraction activities for minerals. The politically driven boom and bust cycles of

¹¹⁷ “Guanyu shencha Keketuohai di 3 hao kuangmai 1946-1957 nian yi yue yi ri dizhi kantan gongzuo ji pi, li tan, ni yanghua wu deng zonghe chuliang jisuan baogao de jueyi”

¹¹⁸ *ibid*

production and industry growth that governed the oil industry during the 1950s too were not unique. On June 11, 1958, the Geology Bureau completed a draft of its “Second Five Year Plan Local Industry Ore Production Service Plan” which proposed high water marks for the geological industry in Xinjiang and elsewhere in China. By 1960, the number of geological teams working in the province had more than doubled over 1957, increasing to 25 teams.¹¹⁹ At a December 1958 meeting of the Bureau of Geology, officials sought to “send up a high production satellite” and called for all teams to drill over 1,000 meters worth of test wells per month. At Koktagay, extraction teams began moving records amount of ore laden earth, by 1959, teams moved 904,107 square meters of earth, an increase over 1957 of nearly six times.¹²⁰ Production at Koktagay increased substantially, growing from 8 million *yuan* worth of minerals in 1955 to more than 15 million by 1960.¹²¹ To accommodate the growing size of the operation, four 83 kilowatt power plants were set up, a vehicle repair shop, machine shop, electrical shop, dynamite plant, warehouse, and extensive housing for labor and offices for staff, helped establish a semi-permanent imprint on the land in Xinjiang’s northern border region during this period.

The rare earth minerals dug out of the world’s largest open pit mine at Koktagay and other rare earth mines in Xinjiang’s far north were not being shipped east for use in Chinese industries. Instead Chinese officials shipped nearly all of them directly to the

¹¹⁹ Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di jiu juan (xia), dizhi kuangchan zhi* 1029

¹²⁰ Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di sishier juan: youse jinshu gongye zhi* 288

¹²¹ *ibid* 275

Soviet Union. Not only were the infrastructural connections linking the isolated ore fields in the Altai mountains to the provincial and national transport network poor, but China's industry simply did not have the capacity to use the minerals. As a consequence, from 1951 to 1957, none of the minerals mined in the region were being used in China at all. Yet, this does not mean that the minerals played no role in China's national economic planning. What Koktagai lacked in transportation infrastructure connecting it to China, it more than made up for in connections to the Soviet Union. And throughout the late 1950s and early 1960s, the minerals extracted from this region were being shipped directly to the Soviets. In 1956 alone, 29,000 tons of valuable minerals worth 41 million *rubles* were shipped west to help repay loans and debts to the Soviet Union accumulated in the first seven years of the existence of the PRC.¹²²

Local officials drew on a transport framework that had been first established in the 1920s, and which centered around docks on the Bu'erjin River. The docks were located a bumpy 320 kilometers from the Koktagay mine, yet this was an easy trip when compared to the 650 kilometer eastern route from the mine to Qitai and onto the provincial capital of Urumqi or the 1,150 kilometers from the mine to Wusu and onto Urumqi. The docks on the Bu'erjin were connected to Koktagay by a modern highway which teams of road builders and soldiers began work on in August 1952 and was opened to truck traffic in July of 1953.¹²³ The Bu'erjin River could accommodate river boats carrying over 400 tons of ore during the high water summer months, and with direct connections to the Turk-Sib rail line, the Soviet route was far more accessible than the

¹²² Li, *Xinjiang dui Su (E) maoyi shi*, 616

¹²³ Zhao Baojun, *Xinjiang gonglushi, di erce, xiandai gonglu* (Beijing: Renmin jiaotong chubanshe 1998) 49-50

connections to China-proper.¹²⁴ From 1951 to 1957 all of the equipment for the mine and other sites in the Altai was imported from the Soviet Union by steamer, placed on trucks and shipped into the ore rich mountains. In 1955, the year after the shuttering of the Sino-Soviet Mining Company, Soviet officials shipped 16 million *yuan* worth of equipment including rolled steel, cement, wood products, and others to Koktagay.¹²⁵

In return, with a growing army of teamsters, road crews, armed guards, and truck loaders scattered at transport depots throughout northern Xinjiang, the valuable mineral wealth of northern Xinjiang streamed west, repaying loans and undergirding production in the Soviet Union. From 1955 to 1958, China exported 59,260 tons of lithium to the Soviet Union from Xinjiang, an increase of five times over the entire Sino-Soviet joint production from 1950 to 1954 and an amount worth nearly 88 million *rubles* at 1954 prices. Likewise, the northern Xinjiang mines also produced and exported 28.6 tons of the extremely valuable tantalum and niobium ores, which was worth more than 1.7 million rubles.¹²⁶ Just as the Nationalists had once sought to pay back Soviet assistance during the early years of the war with Japan using tungsten shipped across Xinjiang province, the CCP sought to use shipments of similar minerals to repay the accumulated from the Soviet Union in the early years of the People's Republic.

¹²⁴ “Guanyu shencha Keketuohai di 3 hao kuangmai 1946-1957 nian yi yue yi ri dizhi kantan gongzuo ji pi, li tan, ni yanghua wu deng zonghe chuliang jisuan baogao de jueyi” 17

¹²⁵ Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di sishier juan: youse jinshu gongye zhi* 542

¹²⁶ *ibid* 639

In 1960, a simmering tension between Mao and Khrushchev over questions of leadership and ideology undermined Sino-Soviet relations, and torpedoed the close working relationship between the two countries. In July, the Soviet Union announced that it would remove all 1,390 of its experts and advisors working in China and that September carried through with the threat. The withdrawal of the Soviet experts was a troubling prospect, but an equally significant concern was the question of loan repayment. Following the cancelling of the cooperative economic agreements that summer, the Soviet Union demanded the immediate repayment of all loans, which totaled a substantial 1.4 billion *rubles*. Pressed by the industrial demands of the on-going Great Leap and the Second Five Year Plan and lacking the cash reserves to pay up front, CCP officials were forced to scrounge up diverse resources to repay the sum.¹²⁷ With its large cache of valuable minerals located a relatively short distance from the Soviet border, Xinjiang fit prominently into the rapid loan repayment schemes.

The rich rare earth ore fields of Koktagay which had served as the fulcrum of the Sino-Soviet cross-border mineral trade since the mid-1950s played an even more prominent role following the collapse of Sino-Soviet relations in 1960. Beginning in early 1961, officials in the region were called upon to increase production and ensure a steady flow of valuable minerals like lithium, beryllium, tantalum and niobium. That year, Chinese officials called on the more than 6,600 workers laboring on site to extract ore laden earth and rocks by hand and just as often to process the removed earth by hand using a keen eye and a hammer. Packed onto a growing fleet of trucks, which had grown

¹²⁷ See: Li Xiannian, “Guanyu 1961 nian he 1962 nian guojia juece de baogao” and Zhou Enlai, “Zhengfu gongzuo baogao” (1964)

to a total number of 448, the ore was shipped along the bumpy highway out of the mountains to the docks on the Bu'erjin River and finally made its way across the Soviet border by water. By 1962, officials had made a total of 3.5 billion *rubles* in loan repayments to the Soviet Union since 1949, 1.4 billion of which was in the form of minerals. China finally repaid the full amount of the Soviet loans in October 1965, and scholars and observers estimate that around 40 percent of the full amount was extracted from the number three mineral mine in Koktagay alone. With the rumble of the last truck load of ore west to the Soviet Union in 1964, a long tumultuous history of Soviet and Russian engagement with minerals in Xinjiang came to an abrupt close.

Until 1962, the oil produced at the government oil well at Karamay largely stayed in the province, being shared by Ministry of Oil Industry operations, Ministry of Commerce, and the military. Throughout the 1950s, officials only shipped miniscule amounts of oil out of the northwest to aid in the development of China's heavy industry base. Indeed, the first year any of Xinjiang's oil made it out of the province at all was in 1959, when only 0.7 percent of the 904,000 total tons of oil produced in the province made its way by truck to the major oil refinery and western China rail depot at Lanzhou in Gansu province.¹²⁸ Despite producing more than 1.4 million tons in 1960, not a drop was shipped out of the province that year and in 1961 only 6,168 tons of the total 1.056 million tons was shipped out of Xinjiang.¹²⁹ Transport out of the oil field located in the desolate wastes of the Zungar basin relied on a highway connecting the ore field to the

¹²⁸ The rest was provided to the Ministry of Commerce and the military and any remainder was sold within the province

¹²⁹ Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di sishi juan, shiyou gongye zhi* 547

nearby town of Wusu, on the northern Xinjiang east-west trunk road. The Karamay-Wusu highway which was opened to truck traffic in 1956 was supplemented in the ensuing years with a network of 250 kilometers of smaller roads linking isolated ore fields in the greater Karamay region.¹³⁰ This transport network which was reliant on a fleet of trucks and truck drivers driving the bumpy roads from the Zunger Basin to Gansu was, however, insufficient to export the massive amounts of oil that were looming on Xinjiang's production horizon.

Only with the completion of the Lanzhou to Urumqi railroad and the fulfillment of Sun Yatsen's dreams for an integrated northwestern rail network would Xinjiang's mineral wealth truly be incorporated into national development planning. A 1952 report of a conversation between Zhou Enlai and Stalin, recorded in the Soviet Foreign Ministry Archives, finds that CCP officials were focused on the construction of a rail line connecting Soviet production sites and markets to China via a rail line spanning Outer Mongolia. Yet, Stalin urged that they focus their efforts on a line spanning China's northwest, noting "We think that you cannot abandon the Xinjiang [line], because it is an important route passing through rich oil fields."¹³¹ Zhou agreed with Stalin's assessment, and anticipated that a rail line reaching eastern Xinjiang would be completed by the end of the FFYP (1958) and the line would extend to the Soviet border by the end of the SFYP (1963). Indeed, Zhou's predictions were not far off, and throughout the early 1950s, the rail connection that would link Xinjiang to China once and for all crept ever

¹³⁰ Zhao Baojun, *Xinjiang gonglushi, di erce, xiandai gonglu* 62-66

¹³¹ Translated Soviet Archival Source: "Sidalin yu Zhou Enlai de huitan jilu" (8/20/1952), Reprinted in *Eguo jiemi dangan: Xinjiang wenti* 309

farther west. It reached the Gansu province oil fields at Yumen on June 16, 1956, made its way to Hami in Xinjiang territory on December 30, 1959, reached Turfan on November 15, 1960, and finally extended to Urumqi West Station on December 12, 1962.

The completion of the rail line facilitated the greater integration of Xinjiang's mineral wealth into CCP national economic planning. Even before the completion of the final leg, as the rails reached closer and closer to Karamay, more and more oil was being shipped west to the major western China oil refineries in Dushanzi. The paltry 6,168 tons of oil shipped by truck to the western terminus of the rail line at Salt Lake in eastern Xinjiang and on to the Lanzhou refinery in 1961 was followed by a massive 460,687 tons of oil in 1962, more than half of Xinjiang's total production after the completion of the line.¹³² In 1963, teamsters loaded well more than half of the total 847,089 tons of oil produced in Xinjiang onto tank cars at the Urumqi West Station, shipping them east to Lanzhou. Rare earth minerals too were shipped east in sizable amounts beginning during this period. From 1963 to 1970, 4,000 tons of beryllium, nearly 13,000 tons of lithium, and 23 tons of precious tantalum and niobium were shipped east and accounted for in national economic planning.¹³³

The crumbling of Sino-Soviet relations and the sealing of the border in Xinjiang in 1964 should be viewed in parallel with the completion of the Lanzhou-Urumqi Rail line. Together they reveal the end point in a 71 year quest by Chinese officials to stake an unalloyed claim to Xinjiang's mineral wealth and incorporate it into national

¹³² Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di sishi juan, shiyou gongye zhi* 547

¹³³ Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di sishier juan: youse jinshu gongye zhi* 639

development plans. The process was the fulfillment of Sun Yatsen's vision for the province. The completion of the railroad ensured, as Sun pointed out in 1919, that the "waste labor of [China] can go and develop these rich soils for the good not only of China but for the commercial world."¹³⁴ Indeed, the rail line and the simultaneous elimination of China's primary competitor in the province facilitated a massive wave of Chinese migrants into the province and resulted in the extraction of Xinjiang's oil, lithium, gold, and copper into national and even international markets in the 1960s. This eastward flow of Xinjiang minerals continues to this day. The process of staking a claim to Xinjiang's minerals transformed the province from an unintegrated frontier hinterland existing as a drain on the Qing treasury into a component part of the Chinese nation-state.

¹³⁴ Sun Yatsen, *Shiye jihua* (English title: *The International Development of China*) (Taipei: China Cultural Service 1953 (reprint of 1922)) 26

Chapter 7: Conclusion and Epilogue

The campaigns to stake an indelible claim to Xinjiang's minerals over the course of the twentieth century were a central factor in transforming it from a frontier dependency to a province fully incorporated into the Chinese nation-state. Yet, tracking the transformation of Xinjiang over the seventy-one years from 1893 to 1964 reveals that at its core, state building in China's west was shaped not by the power of the Chinese state but by its weakness. The inability of state builders in Chinese capitals to stake an unalloyed claim to Xinjiang's mineral wealth in the face of competing claims from the Russian empire and later the Soviet Union forced them to draw upon a wide assortment of non-traditional state agents with dubious loyalty to the Chinese state. The result was a lurching and highly uneven process of integration. Only in the late 1950s with the emergence of large-scale boom towns in isolated corners of the province and the completion of the Lanzhou – Urumqi rail line was the CCP able to enforce their claim to Xinjiang's minerals.

Faced with new pressures in the nineteenth century from various imperial powers, Qing dynasty officials sought to exert a stronger hold over frontier peripheries like Xinjiang. The shift reversed a long-standing hands off policy in the Qing empire's long frontiers. Scholars have noted that the pressure exerted in peripheral regions by the British and Russian Empires in the late nineteenth century and early twentieth led to a series of policies intended to more clearly integrate peripheral regions into the Qing state. In 1884, Xinjiang itself was transformed from a "Frontier Dependency" into an official province of the Qing empire. It was divided up into the same county and prefectural units that comprise the rest of the empire, and its governors and local officials were appointed

by the court in Beijing. A network of new Confucian schools were set up to replace or at least supplement the Islamic educational institutions in the province, and curricula were changed to reflect Xinjiang's more complete integration into the Qing and Chinese polities.¹

Another important component of this process of transformation in the late Qing period, however that has been largely overlooked by scholars until now were attempts by the Qing court to stake a firm claim to the resource wealth of former dependencies like Xinjiang. That the Qing empire's peripheries were rich in lucrative minerals was no recent discovery. Indeed, in the late eighteenth century, the Qianlong emperor himself wrote a paean to a gold nugget uncovered in the so-called "New Dominion" and tales about massive gold nuggets and bubbling pools of raw crude circulated widely in the empire. Throughout the eighteenth and nineteenth centuries, however, there was a reticence by the Qing court to open large scale mining enterprises in peripheral regions like Xinjiang, fearing the destabilizing impact that rowdy immigrant miners might have on indigenous populations.² A pressing fiscal crisis that hammered the Qing court, however, and a growing aggressiveness by Russian geologists and officials seeking to incorporate mineral rich regions into the expanding Russian empire, prompted the court to make an about face on the question of mineral extraction.

¹ Joseph Esherick, "How the Qing became China" in Esherick, Kayali, and Van Young, eds *Empire to nation: historical perspectives on the making of the modern world* (New York: Rowman and Littlefield, 2006) 229-259

² Judd Kinzley "Turning prospectors into settlers: gold, immigrant miners and the settlement of the frontier in late Qing Xinjiang" in Sherman Cochran and Paul Pickowicz, eds. *China on the margins* (Ithaca: Cornell East Asia series, 2010) 17-41

In the late nineteenth century, Qing officials began seeking to gain access to lucrative minerals located all along the northern borders of the Qing empire, from Manchuria in the east, to Mongolia in the north and Xinjiang in the far west. These peripheral areas had been long over-burdened with the high costs for defense and administration and all three regularly ran fiscal deficits. For Qing officials, gold in particular had the potential to make these peripheries financially sustainable. Equally importantly, mining operations staffed with subjects of the Qing empire could serve as a territorial claim on highly coveted ore fields. Gold mining operations at places like Mohe in northern Manchuria were a resounding success, generating profits for the Qing court and helping establish a Qing administrative and military presence in the far northeast. From the beginning, however, operations in Xinjiang were far less successful. The vast distances that separated the province's gold fields from the official post road network continually undercut the success of mining enterprises in Xinjiang province. The high cost of labor, and the difficulty of importing mining equipment, food and supplies continually doomed large-scale gold mining operations in the province in the last decade of the nineteenth century and the first decade of the twentieth. Mining enterprises were under tremendous pressure to quickly identify and extract large amounts of minerals and the gold fields of northern Xinjiang were littered with the detritus of companies that were unable to do so.

After the collapse of the Qing dynasty in 1911 and the inauguration of the new Republic of China in 1912, the so-called "Father of the Country" Sun Yatsen called for the construction of a rail network that would firmly bind Xinjiang to the new Republic of China and stake an indelible Chinese claim to this frontier region's mineral wealth. Yet,

the integration of a border region such as Xinjiang was not a top priority for many Republican officials, and as a consequence they were unwilling to invest the vast sums needed to gain access to Xinjiang's mineral wealth. In order to maintain stability in the province during China's tumultuous 1920s, Governor Yang Zengxin who oversaw Xinjiang from 1912 to 1928, restricted access to Xinjiang's minerals, even for official representatives of the Chinese state. Lacking the funds to construct the railroad as well as the political and military power in the province that would force Governor Yang to change his mind, the province's mineral wealth remained largely untapped and unaccounted for in China's national planning.

The gradual reemergence of Russia as a regional power in the early 1920s after the chaos of the Russian Revolution, however, forced Governor Yang to pay closer attention to the oversight of Xinjiang's minerals. Provincial officials started off seeking to play competitors for the province's natural resources off one another, often pitting Republican officials from China against Soviet investors in a skillful attempt to maximize investment and support from both sides of the Soviet-Chinese border. But the gradual extension of the Soviet Turk-Sib rail line in the mid-1920s, which ran parallel to Xinjiang's western border brought about a fundamental shift in the province's economic orientation. The development of Soviet transport infrastructure swallowed up any wiggle room that Governor Yang might have enjoyed in the 19teens and early 1920s. By the latter half of the 1920s, Xinjiang's markets were being flooded with Soviet manufactured products and Soviet planners were actively incorporating its natural resource wealth, including its minerals, into Soviet national planning.

Governor Yang's successor Jin Shuren, who came to power following Yang's assassination in 1928, sought to reverse Xinjiang's tilt toward the Soviet Union. He tried to strengthen the provincial government by reaching out to the newly formed Nationalist government in Nanjing, and hoped to balance the Soviet Union's economic might with that of China. Yet, faced with the inability of the Nanjing government to improve the transport connections to Xinjiang and their unwillingness to provide Governor Jin with the military and fiscal support he needed to keep the province afloat, Jin was forced to seek support in the arms of the Soviets. A secret agreement signed between the provincial government and the Soviet Union in 1931 set in motion a level of economic integration that would transform the province into a economic hinterland of the Soviet Union. Lacking the revenues to keep the province's fiscal records in the black, Jin and his successor in 1933 Sheng Shicai, signed a number of agreements with the Soviets in which offered access to the province's mineral wealth in exchange for military hardware and straight cash.

By the mid-1930s, Soviet geologists and economic development officials began pinpointing Xinjiang's mineral wealth and laying the transportation infrastructure needed to effectively extract the province's resources. These Soviet state agents discovered minerals in Xinjiang critical for modern weapons production. Minerals such as tungsten ore in the eastern part of the province and minerals like lithium in the far north fetched high prices on global mineral markets and along with oil, Soviet state agents began to actively survey and integrate these minerals into Soviet planning. The growing tensions in Europe and East Asia in the late 1930s prompted Soviet officials to ramp up production in their military industrial sector. To gain unfettered access to the essential

raw materials needed for these industries, Soviet officials sought to make a clear, unalloyed claim to Xinjiang's mineral wealth. New agreements signed in the early 1940s gave the Soviet Union unprecedented access to the province's natural resources. Whether or not Sheng willingly signed over Xinjiang's mineral wealth or not, by 1942, Soviet officials had made a substantial investment in Xinjiang's mineral extraction enterprises and a growing volume of tungsten, tin, lithium, and oil were being loaded on carts, trucks and barges in isolated but mineral rich stretches of the province and shipped west for use in Soviet industries.

Geopolitical changes, however, wrenched the province out of the Soviet sphere of influence in 1942. The German invasion of the Soviet Union and the subsequent slow down in the Soviet Union's shipments of military equipment and financial assistance prompted Sheng to seek a new patron. With the United States having entered the war against Japan in December 1941, Sheng believed that throwing his support behind the Nationalists in their wartime capital of Chongqing would be a better bet for future support for his government. In 1942, Sheng opened the province to Chinese geologists and economic planners who sought to rapidly integrate Xinjiang's mineral and natural resource wealth into China-centered national development plans. Chiang Kaishek and other members of the government quickly sought to capitalize on the long history of Soviet investment in the province by securing agreements with the Soviet Union which would create joint mineral extraction enterprises. But Sheng's fear of retribution prompted him to undermine this process and he aggressively worked to rip out the Soviets' deep economic roots in the province.

Motivated by a fear that the United States would gain a foothold in Xinjiang, a desire for revenge against Sheng's perfidy, and equally importantly, a quest to stake a claim to the mineral deposits that had been pinpointed and worked by Soviet geologists and mining teams since the 1930s, in 1944 Soviet officials engineered a massive rebellion in the province against Sheng and his Chinese advisors. The so-called Three Districts Rebellion created a new regime in the three mineral-rich districts of northern Xinjiang bordering the Soviet Union. In exchange for weapons, cash, and support, leaders in the newly formed East Turkestan Republic gave the Soviet Union exclusive access to the region's mineral wealth. Soviet mining operations for tungsten in the east, lithium in the north and oil in the Zungar Basin were re-opened and the flow of minerals once again began flowing west in substantial quantities.

By late 1944, even after the Nationalist government's cashiering of Sheng, the new government and their Soviet patrons continued to shut Nationalist officials out of the most productive ore sites in the province. These officials came to realize that if they desired to gain access to any of the minerals located in these regions along Xinjiang's western border they would have to work collaboratively with the Soviet Union. Throughout the second half of the 1940s, provincial officials and sympathetic supporters in the reestablished post-war capital of Nanjing worked to hammer out an agreement with the Soviets to establish joint mineral extraction enterprises in Xinjiang. At first, the Soviet Union had little to gain from an agreement with Chiang Kaishek, as they already had full access to Xinjiang's mineral wealth. Yet, as Nationalist armies engaging with the People's Liberation Army in the Chinese Civil War teetered on the verge of collapse in late 1948 and 1949, Soviet officials convinced themselves that a generous agreement

with the Nationalist government could serve as the base-line for future negotiations with the Chinese Communist Party. While the Nationalist negotiating team was not able to obtain the joint extraction agreement they were hoping for, the draft agreements wrangled over in smoky rooms in the provincial capital of Dihua in early 1949 still served as the template for a Soviet-CCP joint extraction agreements put together soon after the so-called “liberation” of China in the fall of 1949.

The agreement set up two jointly operated Sino-Soviet mineral extraction enterprises, which focused on oil as well as nonferrous minerals. The agreement gave the Soviet Union broad leeway to survey ores and set up enterprises in the province. While the Chinese side bought out the Soviet stakes in the two companies in 1954, the Soviet Union’s role in mineral extraction in the province did not diminish overnight. In addition to the on-going efforts of Soviet geologists and planners who continued to work closely with their Chinese counterparts, Xinjiang’s mineral wealth also continued to flow in a steady stream into the Soviet Union.³ The lack of a rail link connecting Xinjiang to China-proper meant that the equipment for extraction enterprises and extracted ore would all be carried on Soviet trucks, barges, and rail cars, often loaded by Soviet teamsters and driven by Soviet drivers. In addition, the ore fields targeted for exploitation tended to be those with a history of geological surveying by Soviet geologists, those that were closest to Soviet territory and those with the easiest access to Soviet transportation infrastructure.

³ Li Sheng found that between 1955 and 1962, non-ferrous and rare earth minerals made up 38.6 percent of the total exports to the Soviet Union, equaling over 200,000 tons of ore valued at more than 93 million *rubles*. See Li Sheng, *Xinjiang dui Su (E) maoyishi* (Urumqi: Xinjiang renmin chubanshe, 1994) 633

Soviet “experts” continued to operate in Xinjiang until the fall of 1960. Yet, the orientation of Xinjiang’s mineral wealth away from the Soviet Union was already underway. The late 1950s led to a new campaign of geological surveying and test drilling in the province which turned the focus of economic planners toward new ore fields located in isolated, but ore rich regions in Xinjiang’s far south and in the eastern stretches of the province. As China’s rail network slowly crept westward toward Xinjiang in the late 1950s and early 1960s, provincial officials and Chinese economic planners oversaw the shipment of greater and greater volumes of the oil produced in the province to China-proper. In 1962, the Lanzhou-Urumqi rail line was completed, thereby integrating the province’s mineral wealth into national transport, commodity, and labor networks. More of Xinjiang’s mineral wealth was being accounted for and transported out of the province to China-proper than ever before in its history. At the same time, the collapse of Sino-Soviet relations also helped reorient Xinjiang and its lucrative ores to the east as the officials closed the border and trade of all kinds ground to a halt. Once China paid off its substantial loan debt to the Soviet Union in 1964 through the accelerated shipments of large amounts of lithium, beryllium and other valuable minerals to the Soviet Union, the outflow of Xinjiang’s minerals to the west, a stream which had flowed almost uninterrupted since the 1930s, abruptly stopped.

The completion of the railroad was a central factor in helping integrate the natural resource wealth of Xinjiang province into national development plans. Afterward, the oil wealth of Karamay in northern Xinjiang featured prominently in national planning and throughout the period, a steady stream of train cars loaded down with raw oil rumbled into the Lanzhou oil refineries in Gansu province. The flowering of new oil refineries at

various oil rich sites within the province itself in the late 1960s and early 1970s ensured that the train cars leaving from Urumqi West Station were loaded down with the gasoline, jet fuel, lubricating engine oil, and other petroleum products needed to drive China's heavy industry sector.⁴ Yet, oil was not the only natural resource making an impact on China's national planning, as an increasing quantity of ferrous and non-ferrous metals, wool and other animal parts, and agricultural products made their way on train cars bound for eastern and central China.

The resonance of the campaigns to gain access to Xinjiang's mineral wealth reinforced a process of political incorporation of China's West. The completion of the railroad and the development of a highway system connecting isolated ore spots to the major rail hub at Urumqi helped facilitate the development of these ore sites, helped increase populations and accelerated a process of political transformation and integration that was already well underway at various ore sites around the province. Like the major state-run mechanized farms controlled by the Xinjiang Production and Construction Corps, major ore production sites like Karamay, Koktagay, and to a lesser extent Yiqikelike emerged as nodes of state power and large-scale land settlement in the late 1950s. Xinjiang's minerals were typically found in inhospitable regions not conducive to agricultural production and the large-scale settlement of agricultural settlers. As a consequence, mineral extraction enterprises helped settle once unoccupied lands with new migrants from China-proper seeking their fortune in the mineral boom towns of Xinjiang. In the once isolated region of Karamay, with the unattractive Chinese name of "Coal Tar Mountain," the handful of local nomadic groups were quickly replaced with a

⁴ Xinjiang Weiwuer zizhiqu difangzhi bianzuan weiyuanhui, ed. *Xinjiang tongzhi: shiyou gongye zhi di sishijuan* (Urumqi: Xinjiang renmin chubanshe, 1999) 547

large and growing Han population in the mid-1950s after the discovery of oil. A geo-chemical surveying team assigned to aid oil extraction in Karamay in 1957 noted that when they arrived on-site in May 1957 there were only a hundred or so ramshackle buildings on site. By November there were more than 300 buildings including various factories, workshops, a hospital and a “club.”⁵ Officials expected 29,000 workers and cadres working on site by 1960 but by 1958, the number of migrants had already surpassed these projections.⁶

In January 1957, the Xinjiang Uighur Autonomous Region’s People’s Committee in the capital of Urumqi petitioned the State Council to establish a new Karamay City with its own party committee institutionally separate from Wusu County. The request noted that the 13,806 laborers and their families working at Karamay alone would grow to more than 30,000 by the end of 1957.⁷ With a conspicuous lack of state oversight in the new boom town, the request read, “social order is largely chaos; drunkenness, beatings, thievery, rapes, and arson are happening continuously and have

⁵ “1957 nian Kelamayi shiyou huatandui chengguo baogao” (1958) File Number 14561 (Central Geological Survey of China, National Geological Data Office, Beijing, PRC) 2; see also Xinjiang weuwuer zizhiqu defang zhi bianmu weiyuanhui, ed. *Xinjiang tongzhi, di sishi juan, shiyou gongye zhi* 207

⁶ “Xinjiang shiyou guanliju guanyu kaifa Kelamayi youqu de baogao” (5/26/1956), Archival reprint in *Dang’an zhong de Kelamayi* (Urumqi: Xinjiang renmin chubanshe, 2008) 49. According to a 1961 report, the total number of workers on site by September 1961 was 25,135, see “Kelamayi 1956 nian dao 1961 nian jiben qingkuang diaocha baogao,” Archival reprint in *Dang’an zhong de Kelamayi*, 124-125; See also, “Kelamayi shi chengli” in *Dang’an zhong de Kelamayi* 85

⁷ Populations including all of the surrounding oil fields including that of Dushanzi and others probably numbered over 50,000 in 1957, see “Kelamayi jianshi chubu fang’an” and “Kelamayi shi chengli” in Kelamayi dang’anju ed. *Dang’an zhong de Kelamayi* 63, 85

severely impacted production.”⁸ With such a dire warning, the State Council quickly approved the request that May and officials began the process of political incorporation in this long-isolated frontier periphery.⁹

Similar processes were underway at all of Xinjiang’s most productive ore sites, and throughout the late 1950s and early 1960s the CCP exerted ever more direct control of these regions and their growing populations. As the population of workers grew at lucrative ore fields like Karamay, accompanying them were not only their families and large populations of workers in supplementary and supporting industries, but also government cadres. The 754 party cadres working for the Xinjiang Oil Oversight Office in 1954 exploded by 1964 to 6,819 cadres.¹⁰ Seeking to aid government oversight of populations living in ore rich but isolated regions, a local institutionalized party infrastructure was set up. As the Karamay City Committee bragged in a 1958 report written one year after the founding of the city, 122 local small party organs had been established and 12 local party committees “charged with carrying out socialist education for the masses” had likewise been set up.¹¹ These institutions served as nodes in the skein of government oversight that penetrated down to the local level in mineral boom towns throughout the province.

⁸ “Kelamayi shi shoubei weiyuanhui chengli” in *Dang’an zhong de Kelamayi* 52

⁹ *ibid* 53

¹⁰ Xinjiang Weiwuer zizhiqu difangzhi bianzuan weiyuanhui, ed. *Xinjiang tongzhi: shiyou gongye zhi* 478. Of these cadres, less than half were involved with technical assistance

¹¹ “Kelamayi shi chengli” in *Dang’an zhong de Kelamayi* 85

The growing presence of state agents directly responsible to party leaders in Beijing helped integrate these peripheral regions into a political culture centered in China itself. While Xinjiang may have been largely immune to the campaigns and political turmoil that swept across China in the 1920s, 1930s, and 1940s, by the late 1950s, the large presence of party cadres and the new institutions of the state helped ensure that these isolated ore fields on the distant edges of new China too were swept into the maelstrom. The anti-rightist campaign pounded the Xinjiang Non-Ferrous Metals Company, as party leaders accused 67 members of being rightists and struggled against them in public meetings.¹² The head of the Karamay Party Committee, which oversaw the oil fields in northern Xinjiang, opened a May 5, 1958 committee meeting by saying, “We have decisively taken the road of victory in waging the national anti-rightist struggle on the battle lines of political thought.” He added, “we have opposed the ‘three winds and five attitudes’ [*sanfeng wuqi*] with considerable success and are unveiling the new forms of the Great Leap Forward.”¹³ These new forms manifested themselves not only in ambitious new production targets and large-scale communes, but also, perhaps incongruously, in the establishment of “backyard steel furnaces,” on the site of Xinjiang’s most productive oil sites and on lucrative non-ferrous ore fields.¹⁴

¹² Xinjiang Weiwuer zizhiqu difangzhi bianzuan weiyuanhui, ed. *Xinjiang tongzhi, di sishier, souse jinshu gongyezhi* (Urumqi: Xinjiang renmin chubanshe 2005) 729

¹³ “Kelamayi kuangqu shoujie dangyuan daibiaodahui” in *Dang’an zhong de Kelamayi*, 93

¹⁴ These sites were unsuccessful and uniformly disbanded by the early 1960s. See Xinjiang Weiwuer zizhiqu difangzhi bianzuan weiyuanhui, ed. *Xinjiang tongzhi, di sishier, youse jinshu gongyezhi* 729; see also Xinjiang Weiwuer zizhiqu difangzhi bianzuan weiyuanhui, ed. *Xinjiang tongzhi: shiyou gongye zhi* 32

The incorporation of Xinjiang's mineral wealth into national planning and the extension of the party's political infrastructure and control over the province walked hand in hand. It is impossible and indeed misguided to separate the economic and political components of China's attempts to centralize control over the province of Xinjiang. The campaigns by a succession of China-based regimes to stake an unalloyed Chinese claim to Xinjiang's minerals over the seventy-one years from 1893 to 1964 is a central aspect of the state building process in the province. Yet, the intimate connections that exist between natural resources and state power are by no means unique to China's far west and the lessons learned here can help reveal important insights about the integration of other mineral-rich peripheries in China from Manchuria and Inner Mongolia, to Tibet and the Southwest

Epilogue

The state building process did not end with the completion of the rail line and the laying of the province's political infrastructure. Instead, the railroad served as the foundation for an accelerated process of economic integration that continues even today. With the sharp drop in the prices of raw materials produced in Xinjiang following the completion of the Lanzhou- Urumqi rail line, many textile producers in China-proper in the 1960s saw the benefit of joint operations and agreements with wool and cotton producers in the province. Increasingly, CCP officials also incorporated oil and other minerals into economic networks centered in China-proper. On average, from 1962 to 1978, 828,522 tons of raw oil were shipped annually by rail from Xinjiang to the

refineries at Lanzhou for transport to eastern and central China.¹⁵ In a 1963 report contained in the Shanghai Municipal Archives, officials at the Shanghai office of the China Construction Materials Company found that the recent completion of the new rail line had pushed down prices of the bitumen, a petroleum product essential for paving roads, produced at the Dushanzi Oil Refinery. The prices, they found, were lower than those produced at other refineries in Yumen, Lanzhou, and Datong.¹⁶ Similar reports exist from this period, reporting on the availability and price of other important but hard to find minerals like mica, a mineral important for electronics and communication technology, produced at numerous spots in northern Xinjiang.¹⁷

In general, this attention focused on northern Xinjiang. The relatively low domestic demand for oil in the 1970s and 1980s meant that China enjoyed vast oil surpluses and exported 27 million tons of crude oil as late as 1985.¹⁸ As a result, there was little incentive or push to invest in uncovering and integrating new and untapped oil fields in other parts of the province. As far as oil was concerned, investment and interest was centered around well known and well established oil fields at sites like Karamay and

¹⁵ Xinjiang Weiwuer zizhiqu difangzhi bianzuan weiyuanhui, ed. *Xinjiang tongzhi: shiyou gongye zhi* 547-548

¹⁶ Zhongguo jianzhu cailiao gongsi Shanghaishi gongsi, “Guanyu tiaozheng Xinjiang luqing gongying jiage de baogao” (9/31/1963) Document Number: B-109-2-731 (Shanghai Municipal Archive, Shanghai P.R.C.)

¹⁷ Shanghai Wuxiandian yi Chang, “Wei luoshi Xinjiang Aletai yunmupian dingdian gongying, cong Wulumuqi zhi Aletai duan dacheng feiji shiyou” (10/15/1962) Document Number B103-3-222-192 (Shanghai Municipal Archive: Shanghai, P.R.C.)

¹⁸ Barry Naughton, *The Chinese economy: transitions and growth* (Cambridge, MA: The MIT press, 2007) 340

other spots in the Zungar basin.¹⁹ A similar phenomenon was in place in the ore fields, as officials zeroed in on those already surveyed in Xinjiang's far north. With the exception of beryllium, the production of which stayed relatively flat, lithium, tantalum, and niobium production increased in the late 1970s into the 1980s, though economic planners sold and utilized the bulk of these minerals within China rather than distributing them on international markets.

The growth in China's domestic demand for oil in the late 1980s and 1990s, however, prompted CCP officials to ramp up production and uncover new productive wells capable of meeting the new demand. On November 17, 1988, surveyors discovered new oil and natural gas fields at a site south of the Yiqikeliki fields deep in the Taklamakan Desert. A report written that December by the state owned China Oil and Natural Gas Company (more commonly known as PetroChina), which was created earlier that September following the shuttering of the Ministry of Petroleum, estimated that the site contained oil reserves equaling one-sixth of China's total and natural gas reserves estimated at one quarter of China's total. The company called for a greater focus on the Tarim basin and the far south, noting that as engineers sought access to new oil pockets, wells in known oil fields within China and those in other parts of Xinjiang were being drilled deeper and deeper and thus at higher cost. In productive, untapped fields such as those in the Tarim, however, this was not necessary. Company officials announced that we have "decided beginning next year to strengthen leadership, increase the number of teams, and use the newest technologies and oversight to organize a high level, highly

¹⁹ The once productive Yiqikelike oil field was running dry by the late 1970s. Nearly all of the wells were being pumped with water and production dropped off precipitously. The enterprise was officially closed in 1987

productive oil surveying and extraction campaign.”²⁰ PetroChina and other enterprises uncovered and opened additional oil fields in the Tarim basin during the 2000s.

Throughout the 1990s and the first decade of the 2000s, oil production only increased in Xinjiang. The province’s oil reserves today are playing an even more important role in national economic development planning. The vast expansion in production in the Tarim basin oil fields was paralleled by massive increases in production at the long established sites in Karamay, which produces nearly 30,000 tons of crude oil daily. Today, Xinjiang is the fourth largest oil producing region in China. Similarly, the expansion in global markets for minerals such as lithium, an element critical in many green technologies, has led to a resurgence in production at the Soviet discovered ore fields in Xinjiang’s far north. Shuttered in 1999 for declining production, the high prices that lithium was fetching on international markets led government officials to reopen the Koktokay ore field. Demand also prompted the survey and discovery of new ore fields in other spots in the province, from nearby sites in the Altai, to places in the Tianshan Mountains in central Xinjiang, to new sites in the eastern stretches of the province.

In recent years, global markets and domestic demand for minerals have led to the further development of Xinjiang’s transportation infrastructure. The oil fields in northern Xinjiang have been linked into a regional transport network connecting them to the substantial oil fields located on the other side of the border in the Republic of Kazakhstan (which itself received substantial investments from PetroChina), with a transnational

²⁰Zhongguo shiyou tianranqi zong gongsi “Zhongguo shiyou tianranqi zong gongsi guanyu jiakuai Talimu pendu youqi kantan de baogao” (12/19/1988) in Talimu shiyou shizhi bianzuan weiyuanhui, ed. *Xinjiang shiyou gongye shiliao xuanji, di san ji, Talimu juan* (Urumqi: Xinjiang weiwuer zizhiq neibu ziliaoqing chubun wuzhun yinzheng, 2009) 446

pipeline. In 2004, the company completed a pipeline connecting Xinjiang's oil and natural gas resources to Shanghai with a massive price tag of 140 billion *yuan*. Supplementing the pipelines was the extension of Xinjiang's rail network to Korla in 1984, which is located only a short drive from the northern Tarim Basin oil fields. Later, in 1999 party planners extended the rail line deeper into southern Xinjiang with a line that passes through the Tarim basin oil fields as well as recently uncovered natural gas production sites near the town of Aksu and ending at the southern city of Kashgar. In addition, a network of improved highways now connect isolated ore and oil fields into the provincial highway network far more closely, thereby bringing down the once prohibitively high cost of transporting equipment, labor, and finished minerals and ore.

Xinjiang's resource wealth and its strategic importance have prompted heavy state investment in the province in the 1990s and first decade of the twenty first century. This period has been witness to a substantial increase in central state investment in Xinjiang's provincial economy. As one scholar points out, around 20 percent of provincial GDP is made up of direct central state investment.²¹ Indeed, majority state owned enterprises have flowered in the province, outstripping the number of private or foreign owned firms in ratios far higher than other comparable regions. Paralleling the massive inflow of central investment has been a wave of Han migrants from China-proper, the population of whom grew by 32 percent from 1990 to 2000.²² Additionally, new attempts by the CCP to create regional connections into Central Asia with the establishment of transport

²¹ Calla Wiemer, "The economy of Xinjiang" in Frederick Starr, ed *Xinjiang: China's muslim borderland* (Armonk, NY: M.E. Sharpe, 2004) 163-189

²² Department of Population 2003: vol. 1, table 1-2. Quoted in James Millward, *Eurasian crossroads: A history of Xinjiang* (New York: Columbia university press, 2007) 285

infrastructure, bilateral agreements, and multi-national institutions such as the Shanghai Cooperative Organization have created a growing economic role for Xinjiang in the region and a greater Chinese state influence in regional economies. By the 1990s, consumer and manufactured goods were flowing out of Xinjiang and into the former Soviet Republics of Kazakhstan and Kirgizstan in exchange for raw materials and natural resources like oil and natural gas, effectively reversing a long-standing trend that had been in place since the 1910s.²³

For many Uighurs, who remain the largest single ethnic group in the province and whose major population centers exist far away from Xinjiang's well established ore sites, the transformation of the province has been highly unsatisfactory. Many have voiced their frustration, occasionally by violent means, that the oil boom and the commensurate growth in standards of living in those oil rich regions has largely left them in the dust. For many Uighurs, oil profits only appear to benefit the party, Han Chinese, and a regional economy centered in northern and central parts of the province. The central government's "Develop the West" campaign, unveiled in 2000 was at least partially an attempt to rectify these concerns by channeling substantial central government funds into underdeveloped cities and counties around the province. The result has been the transformation of cities such as Kashgar, which is a major Uighur population center in Xinjiang's far south and for decades existed well beyond the reach of government investment and development projects.

While the impact of the campaign has been mixed, its clearest outcome has been a massive increase in Han migrants into the region and the expansion and greater

²³ See Millward, *Eurasian crossroads* 290

penetration of the state security apparatus into local areas and communities. Like the 1950s, the economic integration of Xinjiang has paralleled a larger process of socio-political incorporation into the Chinese state. The anti-crime and anti-separatism “strike hard” campaigns of the late 1990s, the attempts to crack down on Islam and the on-going expansion of party, police, and military operations at the local level have, in large part, been an attempt to protect central government investment in Xinjiang and ensure stability in this important resource producing area. The large-scale anti-Han riots that wracked the province in 2009 and continue to rumble periodically in southern Xinjiang and the provincial capital of Urumqi suggest that this task remains incomplete.²⁴

Today, in various dusty, once isolated corners of the province, highly profitable, large-scale mineral extraction enterprises loom over the desolate landscape. A network of oil and other mineral boom towns stretching the length and breadth of the province have popped up at sites first pinpointed by Soviet and Chinese geologists in the 1930s, 1940s, and 1950s. Now, highly educated managers, skilled workers, and laborers from throughout China flock to these towns, seeking their fortunes in mineral extraction. The lucrative resources of Xinjiang are now firmly connected into transport networks and national economic planning centered in eastern and central China, a necessary step in the ultimate transformation of the region from frontier to fully integrated part of the Chinese nation-state. Yet, the centrality of economic integration in the broader state building process in Xinjiang, is not a story that is unique to this once isolated corner of China’s far

²⁴ It is important to note though that inequities in development are only one factor in a long list of complaints that many Uighurs have leveled against the CCP’s administration of the province. These complaints range from concerns about respect for Islam to rights and treatment of Uighur workers, to calls for the establishment of an independent “Uighuristan.”

west. Indeed, similar stories undergird the state building process along all of China's mineral-rich peripheries, as campaigns to gain access to oil in Manchuria, rare earth minerals in Inner Mongolia, and the space age steel alloy of vanadium in China's southwest continue to serve as a similar driving force in the state building process in other once isolated peripheries. This important linkage, which remains under-examined in the context of China, served as an integral factor in the process of transforming Qing frontiers into Chinese borders and creating a cohesive, integrated Chinese nation-state over the course of the twentieth century.

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