

MICROCOPY

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**NATIONAL ARCHIVES MICROFILM PUBLICATIONS**

Microfilm Publication M976

RECORDS OF THE DEPARTMENT OF STATE  
RELATING TO POLITICAL RELATIONS  
BETWEEN CHINA AND JAPAN, 1930-1944

Roll 89

1940-44

793.94/15562-15659  
Jan. -Feb. 1940



**THE NATIONAL ARCHIVES  
NATIONAL ARCHIVES AND RECORDS SERVICE  
GENERAL SERVICES ADMINISTRATION**

WASHINGTON: 1975

## INTRODUCTION

On the 96 rolls of this microfilm publication are reproduced the records from the decimal file of the Department of State, 1930-44, that relate to political relations between China and Japan. The records are mostly instructions to and despatches from diplomatic and consular officials; the despatches are often accompanied by enclosures. Also included in these records are notes between the Department of State and foreign diplomatic representatives in the United States, memorandums prepared by officials of the Department, and correspondence with officials of other Government departments and with private firms and persons. The State Department divided the decimal file into chronological segments to retire inactive records. This division has been maintained in this microfilm publication. The records for the period 1930-39 are filmed on rolls 1-88 and those for 1940-44 on rolls 89-96.

The Lists of Documents or "purport lists" filmed on rolls 345 and 346 (1930-39), roll 532 (1940-June 1944), and roll 628 (July-Dec. 1944) of M973 give brief abstracts of the documents reproduced in this microfilm publication and serve as a finding aid to the documents themselves. The arrangement of the entries on these lists generally corresponds to the arrangement of the documents in the file.

From 1910 to 1963 the State Department used a decimal system for its central files, assembling and arranging individual documents according to subject and assigning decimal file numbers. The decimal file consists of nine primary classes numbered 0 through 8, each covering a broad subject area. The records reproduced in this microfilm publication are in Class 7, political relations of states. Each country had been assigned a two-digit number. The country numbers assigned to China and to Japan, for example, are 93 and 94, respectively. Thus, documents bearing the file number 793.94 concern political relations between China and Japan.

When one or more digits follow the second country number, they represent a specific subject. This number, in turn, may be followed by a slant mark (/). In such cases the numbers after the slant mark were assigned to individual documents as they were accumulated on a specific subject. For example, a decimal file number taken from a document reproduced in this microfilm publication is 793.943/5. The number 3 following the country number for Japan (94) signifies that the subject is extraterritoriality, and the number after the slant mark indicates the number of documents on this subject.

NATIONAL ARCHIVES MICROFILM PUBLICATIONS

The documents under one subject classification are generally in chronological order, coinciding with the assigned document number, which follows the slant mark. There are instances, however, when a document file number was not assigned until a date considerably later than the one on which the document was received.

In July 1944 the number after the slant mark began to reflect the date of the document instead of the number of documents; for example, a document dated November 20, 1944, would be numbered /11-2044. Documents dated as early as 1939 but not indexed until after July 1, 1944, also have been assigned date numbers.

Cross-reference sheets referring to related records under other subject classifications in the decimal file have been reproduced as they occur, and appropriate cross-reference notations appear in the Lists of Documents.

The file contains documents that were security classified by the State Department, as well as those received from and classified by foreign governments and other Federal agencies. Documents that have not been declassified are not available as part of this microfilm publication. The National Archives and Records Service (NARS) does not have authority to make reproductions of such documents available to searchers. Documents that remain classified have been removed from the file and replaced by a withdrawal notice that identifies the document and indicates the reason for its removal.

The records reproduced in this microfilm publication are part of General Records of the Department of State, Record Group 59, and are a continuation of the records concerning political relations between China and other states, 1910-29, which have been microfilmed as NARS M341.

In the same record group are several diplomatic correspondence series containing documents on relations between China and the United States. They are copies of instructions from the State Department to U.S. Ministers to China, 1843-1906 (rolls 38-43 of M77); notes to the Chinese Legation in the United States from the Department, 1868-1906 (rolls 13 and 14 of M99); despatches from U.S. Ministers to China to the Department, 1843-1906 (M92); and notes from the Chinese Legation in the United States to the Department, 1868-1906 (M98). Also related to matters concerning China are communications to special agents of the United States from the Department, 1852-86 (roll 154 of M77).

Several series of volumes contain material on relations between Japan and the United States. There are copies of instructions from the State Department to U.S. Ministers to

NATIONAL ARCHIVES MICROFILM PUBLICATIONS

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Several series of volumes contain material on relations between Japan and the United States. There are copies of instructions from the State Department to U.S. Ministers to

## NATIONAL ARCHIVES MICROFILM PUBLICATIONS

Japan, 1855-1906 (rolls 104-108 of M77); despatches from U.S. Ministers to Japan to the Department, 1855-1906 (M133); notes to the Japanese Legation in the United States from the Department, 1860-1906 (rolls 66 and 67 of M99); and notes from the Japanese Legation in the United States to the Department, 1858-1906 (M163). Also related to matters concerning Japan are communications to special agents of the United States from the Department, 1823-86 (rolls 152 and 154 of M77); and despatches from special agents to the Department, 1794-1837 (roll 10 of M37).

Despatches from U.S. consular officials in China and Japan before 1906 are available as separate microfilm publications for each post. Complementary to the despatches from consuls are instructions to consuls.

The method of arranging the diplomatic and consular series cited above was discontinued in 1906, when the State Department adopted the practice of filing incoming and outgoing correspondence, memorandums, and other documents by subject in a single numerical series. Information on documents relating to China and Japan for the 1906-10 period may be found through the use of card indexes and Lists of Documents in the National Archives of the United States. The Numerical File is available as microfilm publication M862.

Several series in the State Department decimal file, 1910-29, that relate to Chinese and Japanese affairs are available as microfilm publications. In Class 7 there are two series regarding Chinese affairs: one concerning political relations between the United States and China (M339) and the other concerning political relations between China and other states (including Japan) (M341); and two series regarding Japanese affairs: one concerning political relations between the United States and Japan (M423) and the other concerning political relations between Japan and other states (M424). Class 8, internal affairs of states, has records concerning internal affairs of China (M329) and internal affairs of Japan (M422). Additional documents are in the remaining classes of the State Department decimal file:

- Class 0. General. Miscellaneous.
- Class 1. Administration, Government of the United States.
- Class 2. Extradition.
- Class 3. Protection of Interests.
- Class 4. Claims.
- Class 5. International Congresses and Conferences. Multi-lateral Treaties. League of Nations.
- Class 6. Commerce. Customs Administration. Commercial Relations, Treaties and Conventions. Commercial and Trade Agreements.

NATIONAL ARCHIVES MICROFILM PUBLICATIONS

In Records of Boundary and Claims Commissions and Arbitrations, Record Group 76, there are records relating to the Claims Commissions of 1858 and 1901 between the United States and China.

In Records of International Conferences, Commissions, and Expositions, Record Group 43, are records of several conferences in which the United States and Japan participated. There are records of the Washington Conference on Limitation of Armament, 1921-22, which met to consider the limitation of armaments and certain questions relating to Pacific and Far Eastern problems. There are also records of the Commission To Represent the United States at the Grand Exhibition of Japan, 1917. The exhibition was planned for 1912 but had been postponed, and the records relate mainly to the visit of U.S. Commissioners to Japan in 1908 and to their conferences with Japanese officials. Other relevant records in Record Group 43 are those concerning the Sino-Japanese Dispute, 1930-32 (documents gathered by Gen. Frank McCoy, U.S. representative on the Lytton Commission), those of the U.S. Element, Allied Council for Japan, 1946-52, and those of the Far Eastern Commission, 1945-51.

In Records of the Foreign Service Posts of the Department of State, Record Group 84, are records originally kept at U.S. diplomatic and consular posts. Among these are records of the U.S. Legation (later Embassy) in China, 1843-1945, and of the U.S. Legation (later Embassy) in Japan, 1855-1936, as well as those of various consular posts in those countries.

The records reproduced in this microfilm publication were prepared for filming by Ralph E. Huss, who also wrote these introductory remarks.

CROSS-REFERENCE FILE

NOTE

SUBJECT

Sino-Japanese relations.

Report concerning -, for the month  
of October, 1939.

aa

793.94 / 15562

For the original paper from which reference is taken

See ..... # 452  
(Despatch, telegram, instruction, letter, etc.)

Dated ..... Nov. 4, 1939 From } Tsingtao (Sokobin)  
To }

File No. .... 893.00 P.R. Tsingtao/136.

15562



793.44  
3. Japan.

An outstanding impression of the Japanese situation in Tsingtao during October was the almost complete withdrawal of Japanese troops. Never, since the Japanese occupation in January 1938, have there been so few Japanese troops in this city. It is probable that most of them were withdrawn to engage in the recapture of Pingtu which has been in the hands of Chinese forces since the middle of August and in campaigns against the Chinese guerrillas and other Chinese forces to the north and east of Pingtu.

Japanese Expansion of Harbor.

Further announcements were made in respect to the expansion of Tsingtao harbor facilities by the Japanese. While many announcements made by the Japanese in respect to the economic development of North China and Manchuria still await fulfillment and are in the paper stage, there is good reason to believe that the Japanese are commencing on a sound harbor development scheme which in brief calls for: (1) an expansion of coal shipping facilities, (2) expansion of salt shipping facilities, (3) allocation of other wharves for general cargo, (4) the removal of the present dangerous goods wharf, a project which will affect the American oil companies principally. It is stated in the press that the project will be completed by the end of 1942 and by that time the port authorities will be able to handle 6,000,000 tons annually as against the present capacity of 4,000,000 tons.

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

*FE*

**TELEGRAM RECEIVED**

MM

FROM

Chungking via N.R.

This message must be  
closely paraphrased  
before being communi-  
cated to anyone. (A).

Dated December 29, 1939

Rec'd. 6:32pm.

Secretary of State

Washington, D.C.

Division of  
FAR EASTERN AFFAIRS  
JAN 2 - 1940  
Department of State  
*feh*  
*m*

673, December 29, 5pm.

Department's 241, December 27, 6pm. Covers arrived

today.

PECK

WWC

793.94/15563

JAN 6 1940  
FILED

F/FG

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

### TELEGRAM RECEIVED

CK

Hankow

A portion of this telegram  
must be closely paraphrased  
before being communicated to  
anyone. (Br,)

FROM Dated December 30, 1939

Rec'd 10:45 a.m. 31st.

Secretary of State

Washington

December 30, noon.

My December 20, 1 p.m.

Chinese Offensive.

One. The so called Chinese winter offensive in central China which began on December 12 shows signs of slackening. Being almost entirely without artillery air craft and other mechanized support, it has not thus far progressed beyond intensified and extended guerrilla warfare.

Two. Local foreign correspondents have within the past ten days been flown by the Japanese to the Nanchang and Sinyang sectors where the countryside shown them by the Japanese was apparently tranquil. (END GRAY) They were not permitted to see the missionaries at Nanchang but at Sinyang missionaries stated that the situation had since the middle of the month been tense and the sound of fighting audible in the city. Vice Consul Hawley reports that on his return Yangtze voyage from simple leave artillery, machine gun and rifle fire were heard irregularly throughout December 19 between Matang and Hukow (mouth of Poyang Lake). Above  
Wusueh

*Handwritten notes:*  
A  
C  
B  
M  
W  
Division of  
M.I.D. IN C...

COPIES IN PARALLEL SENT TO O.N.I. M.I.D. IN C...

793.94

793.94 / 15564

JAN 10 1940

F / FG

4

=#December 30, noon, from Hankow.

Wusheng he was told that the Chinese were there pressing on both sides of the river. The (?) (?) <sup>escorting Japanese gunboat</sup> subjected the north bank to a two hour bombardment, which firing was not returned.

(GRAY) Four. Since December 15, the local Japanese controlled press has reported Japanese engagements with small units of more than fifty separate Chinese divisions, in addition to encounters with numerous unspecified forces.

Five. While these Chinese operations, as anticipated in my telegram of December 16, 10 a.m., have not seriously threatened the Japanese position in central China, they have nevertheless served (1) the useful military purpose of harassing and inflicting somewhat heavier than ordinary casualties on the Japanese and (2) the useful political purpose of demonstrating that Chinese resistance continues in a lively form.

Sent to Chungking, repeated to Peiping and Shanghai.

SPIKER

GW.

7004

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

(CONFIDENTIAL)

PARAPHRASE

A telegram dated December 30, 1939, from the American Consul General at Hankow reads substantially as follows:

The Consul General refers to his telegram of December 20, 1939, and states that the so-called "winter offensive" in central China of the Chinese, which commenced December 12, shows indications of abating. It has not so far progressed beyond extended and intensified guerrilla warfare, being almost entirely without artillery, other mechanized support and aircraft.

The Japanese have, within the past ten days, flown Hankow foreign correspondents to the Nanchang and Sinyang areas where tranquility appeared to reign in the countryside shown them by the Japanese. The correspondents were denied access at Nanchang to the missionaries but the missionaries at Sinyang ascertained that the situation there had been tense since the middle of the month and in the city the sound of fighting was audible. On his return up the Yangtze from simple leave, Vice Consul Hawley states that rifle, machine gun, and artillery fire were heard at irregular intervals between Matang and Hukow (at the south of Poyang Lake) throughout December 19. He was told that the Chinese were pressing on both sides of the river above Wusueh and said that the escorting Japanese gunboat subjected the north bank to a two-hour bombardment

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Department of State letter, August 10, 1972  
By Milton D. Quisenberry NARS, Date 12-18-75

bombardment but that there was no return fire.

The local Japanese-controlled press has since December 15 reported engagements between Japanese and small units of more than fifty separate Chinese divisions in addition to clashes with numerous forces of an unspecified nature. While, as anticipated in the Consul General's telegram of December 16, 1939, these Chinese operations have not seriously threatened the position of the Japanese in the central China area, they nevertheless have served the useful object of harassing and inflicting more than average Japanese casualties and the valuable political purpose of showing that Chinese resistance in a lively form continues.

793.94/15564

*17D*  
FE: EFD: MHP  
1/3/40

*29.C.*  
FE

**TELEGRAM RECEIVED**

HSM

A portion of this tele-  
gram must be closely  
paraphrased before being  
communicated to anyone. (Br.)

FROM

Chungking via N.R.

Dated January 1, 1940

Rec'd 6:35 p. m.

Secretary of State,  
Washington.

Division of  
FOR EASTERN AFFAIRS  
JAN 2 - 1940  
Department of State  
*file*

*efx*

*793.94*

2, January 1, 1 p. m.

Following from Yunnanfu:

"31st. Japanese planes, reported to number 21,  
bombed the Mengtse air field yesterday morning. An  
unconfirmed report states that sixteen bombs were  
dropped on the field. Chinese sources claim that damage  
to the air field was slight and state that Chinese planes  
there were unharmed. Mengtse itself was not hit and  
civilian casualties are believed to have been small.

In the course of the same expedition the Yunnan  
railway was subjected to bombing at the several points  
to the north of the town of Hokow. Two large railway  
bridges, one the so-called Lace Bridge, were targets  
for bombardment but not (repeat no) direct hits were made.  
Damage to the railway at other points was not heavy and  
it is announced that the raid will not cause any inter-  
ruption of traffic. (END GRAY) The foregoing information  
was obtained from French officials here, who are greatly  
perturbed at this new development. Perkins."

793.94 / 15565

JAN 10 1940  
E / FG

REP

PECK

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

CONFIDENTIAL)

PARAPHRASE

A telegram of December 31, 1939, from the American Consul at Yunnanfu reads substantially as follows:

Yesterday morning what were reported to be twenty-one Japanese airplanes bombed the air field at Mengtse. A report not yet confirmed declares that the field was hit by sixteen bombs. Damage to the air field was slight according to Chinese sources, who state that Chinese planes on the field were undamaged. Bombs did not fall in the city of Mengtse and casualties among civilians are believed to be few.

The Yunnan railway was bombed north of the town of Hokev at several points in the course of the same raid. The so-called "Lace Bridge", together with another large railway bridge, was a target but the raiders failed to make direct hits. No heavy damage was inflicted on the railway at other points and it is said that no interruption of traffic will result from the raid. The information related above was received from French officials in Yunnanfu, who are very much perturbed as a result of the raid.

*M.D.*  
FE: EFD: MHP  
1/3/40

*E.g.c.*  
FE



~~WBS~~  
~~GA~~  
~~M...~~  
DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

January 4, 1940.

Hanoi's despatches 16, 19 and 21 of November 24, November 29 and December 3, 1939, respectively.

The first despatch relates that the Japanese made a successful landing at or near ~~Yueh~~ Chow on November 17 and advanced toward Nanning in two columns. After resistance at a point some 50 kilometers from Nanning the Chinese are reported to have retreated to within 20 kilometers of Nanning where they were finally able to force the Japanese to withdraw some 30 kilometers while awaiting reinforcements. All Chinese Government offices evacuated Nanning on November 20 and 21. Japanese bombing of Nanning was on a large scale. Chinese destroyed a portion of the Dondang-Nanning road before withdrawing. Reed observes that Indochinese officials did not seem displeased with the turn of events in Kwangsi because it was feared that the transit of goods to China would bring complications with the Japanese.

The despatch of November 29 states that the report has persisted that the National Government has been betrayed by certain Kwangsi elements, presumably headed by one Chan Wai-chow, and that the ease of the Japanese advance arose from this factor.

The despatch of December 3 reports the Japanese capture of Nanning and states that

Japanese

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

-2-

Japanese military activity has extended to the north and northeast of Nanning. Reed states that with the capture of Nanning the only feasible modern means of transportation into China via Indochina is the Yunnan railway.

The route under construction via Caobang will not be ready for motor traffic for some months and its maximum capacity will be about three thousand tons monthly. Some traffic by coolie and pony is reported but whether any great amount can be so transported is highly doubtful. There is little possibility that the vast store of supplies at Haiphong can be transported to China with any degree of rapidity and Reed thinks that a portion of these supplies will have to be sent via Rangoon.

793.94/15566,15567,15568

FE:Drumright:JPS

NO. 16

AMERICAN CONSULATE

Hanoi, Indochina, November 24, 1939.

1940 JAN 2 PM 2 23

DIVISION OF EUROPEAN AFFAIRS  
JAN 10 1940  
DEPARTMENT OF STATE

Division of FAR EASTERN AFFAIRS  
JAN 4 1940  
Department of State

793.94  
793.24

SUBJECT: Japanese Invasion of Kwangsi affects  
Transit of Supplies to China.

G  
Reed

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

RECEIVED  
JAN 10 1940  
REK

~~Request to OAS~~  
~~MID~~  
893.24/645  
REK

793.94/13566

I have the honor to refer to my telegram of November 21, 5 p.m., and to that of November 23, 10 a.m., in regard to the reports reaching Indochina as to the state of affairs in Kwangsi, as a result of the sudden invasion by the Japanese and their advance towards Nanning. The following is a brief account of the developments in Kwangsi, obtained in part from an American citizen who was in Nanning during the early part of the invasion.

It is to be noted, however, that on the date of this despatch Nanning is still in the hands of the Chinese, the Japanese are understood to be at a point some 40 kilometers from the city, Japanese air planes are still bombing the city and the surrounding country, and the road from Dong Dang to Nanning is closed to commercial traffic, although a few trucks were able to get through with supplies for the Chinese

K

forces

RECEIVED  
JAN 12 1940  
DEPARTMENT OF STATE

JAN 12 1940

RECEIVED

F/FG 13566

AIR MAIL

- 2 -

forces on the night of November 23.

It is understood that the Japanese attempted a landing at Funghsin on November 15 and that a successful landing was made at or near Yamchow on November 17, advancing towards Nanning in two columns. At a point some 50 kilometers from Nanning the Chinese effectively resisted the Japanese advance until, as my informant states, they were attacked in the rear by Chinese bandits believed to be in Japanese pay. The Chinese retreated to within 20 kilometers of the city and at this point they were able to check the Japanese advance and were able to force the Japanese to withdraw some 30 kilometers, where they awaited reinforcements.

I am informed that all Chinese Government offices evacuated Nanning on November 20 and 21. Parenthetically, I am also informed that many trucks were used for this evacuation which could have been put to better use in supplying the Chinese forces. I understand that there was a certain amount of looting in Nanning and some undiscipline activities on the part of the Chinese militia. All Americans, and I believe all British and French, departed from Nanning prior to November 22.

It is learned that the bombing of Nanning and the surrounding country was on a large scale, at one time more than 35 planes being noted over the city, both land and sea planes. The planes also dropped leaflets in Chinese, exhorting the Chinese to surrender and promising protection to those who surrendered. There is said to have been little or no defense against the  
Japanese

AIR MAIL

- 5 -

air planes, the Chinese having no planes and only a few 50 mm machine guns for anti-aircraft defense.

Of primary interest, however, is the condition of the Dong Dang-Nanning road. It is understood that in addition to the damage caused by bombing the Chinese themselves destroyed a portion of the road, destroying one half so as to make the road usable only by one way traffic, and mustered some hundreds of coolies to destroy the road completely if Nanning fell into Japanese hands. This was at a point some 90 kilometers from Nanning. Whether this road will ever be used again for commercial traffic and for supplying the Chinese National Government depends entirely upon the outcome of the battle for Nanning. It is the overwhelming consensus of opinion that it is but a question of time, possibly only a day or so, before Nanning will be captured and this road completely cut off.

CONFIDENTIAL.

The Department may be interested to note that the Indochina officials do not seem to be displeased with the situation in Kwangsi. The question of transit of goods to China, which was feared would bring complications with the Japanese, is undoubtedly reduced in importance with the impending fall of Nanning and the destruction of the Dong Dang-Nanning road. The Department may also be interested to note that certain commentators assert that the Indochina authorities are not pushing the work of reconstruction of the Caobang road (my despatch no. 8 of October 20, 1936), to enable this road to carry at least a substantial

part


AIR MAIL

- 4 -

part of the traffic now carried by the Dong Dang-Nanning road. The continued inadequacy of the Caobang road, possibly by design, will further reduce the possibility of complications with the Japanese.

In summary, the conclusion may be stated that, if Nanning is captured by the Japanese, the Dong Dang-Nanning road will be no longer utilizable by the Chinese and the Chinese National Government will have lost a vital source of supply, amounting to approximately 10 thousand tons a month even under adverse conditions. Mention should also be made that the exportation of tung oil, wolfram, et cetera, from unoccupied China will also be more difficult. There will remain for the shipment of supplies (1) the Caobang road, which is of doubtful immediate value, (2) the railway to Kunning, which can perhaps double its capacity, (3) the Burma road, which is not viewed with enthusiasm by many persons, and (4) the Russian road.

Respectfully yours,

  
Charles S. Reed II,  
American Consul.

Original and 4 copies to the Department  
Copy to Embassy, Chungking  
Copy to Embassy, Peiping  
Copy to Consulate General, Hongkong  
Copy to Consulate, Saigon

800/815.4

CSR:csr

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

NO. 19

DIVISION OF  
EUROPEAN AFFAIRS  
JAN 12 1940

AMERICAN CONSULATE

Hanoi, Indochina, November 29, 1939.

1940 JAN 2 PM 2 21

COPIES SENT TO  
O.M. AND M.L.D.

COMMUNICATIONS  
AND RECORDS

Division of  
FAR EASTERN AFFAIRS  
JAN 4 - 1940  
Department of State

*REK*

*793.9  
2nd  
193-2*

SUBJECT: Situation at Nanning continues to interfere with transportation to China.

THE HONORABLE

THE SECRETARY OF STATE, *Reed*

WASHINGTON.

SIR:

*REK*

*Copies to O.M. and M.L.D. when received*

793.94/15567

ASSISTANT SECRETARY OF STATE  
JAN 11 1940

I have the honor to refer to my despatch no. 16 of November 24, 1939, in regard to the Japanese advance towards Nanning and the then reported apparent imminence of the city's capture by the Japanese. At this time the situation appears to be virtually unchanged, notwithstanding a plethora of rumors to the contrary. A few thousand Japanese, reportedly aided by certain Chinese militia units, are near or in the outskirts of Nanning, the main body of Japanese troops being approximately 25 to 30 miles away. Although the Chinese cause is not entirely lost, insofar as Nanning is concerned, the situation is grave and the Nanning route of transportation to China is useless for the time being.

From the beginning of this phase of the Sino-Japanese conflict the report has persisted that the Chinese National Government has been betrayed once

more

JAN 16 1940

F / FG5567

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quatman NARS, Date 12-18-75

AIR MAIL

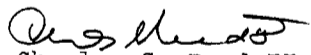
- 2 -

more and that certain Kwangsi elements have sold out to the Japanese. The relative small force of the invaders and the reportedly easily gained initial success is claimed to be evidential. The person named by the majority of these rumors is Chan Wai-chow, who was in charge of the militia in and around Fong Sing, the brother of Chan Chi-tong, who was prominent in the former Southwest faction.

It appears to be the confidential opinion of high French officials in Indochina that the above is the case.

Certain observers believe that the Japanese are in some danger of over-reaching themselves, as they are reported to have done at Changsha, and that they may meet with a reverse in this area. From the reports of the large number of Japanese troops being sent to Kwangsi, including some of the Japanese Imperial Guards, it would appear that the Japanese are taking no chances. However, I venture the opinion that the Japanese will proceed northward from Nanning, if they capture that city, with the utmost caution, as the terrain is very unfavorable. Extended bombing, with Nanning as a base, will be stressed - affecting possibly Kunming.

Respectfully yours,

  
Charles S. Reed II,  
American Consul.

Original and 4 copies to the Department  
Copy to Embassy, Chungking  
Copy to Embassy, Peiping  
Copy to Consulate General, Hongkong  
Copy to Consulate Saigon

800

CSR:csr



NO. 21

AMERICAN CONSULATE

Hanoi, Indochina, December 3, 1939.

*Handwritten initials*

REK

RECEIVED  
DIVISION OF EUROPEAN AFFAIRS  
JAN 12 1940  
COMMUNICATIONS AND RECORDS DEPARTMENT OF STATE

Division of FAR EASTERN AFFAIRS  
JAN 4 - 1940  
Department of State

SUBJECT: Capture of Nanning by Japanese.

793-9  
893-77  
893-24

*Handwritten: G Reed*

THE HONORABLE

THE SECRETARY OF STATE,

*Handwritten: Copies to OAS and MID when received*

COPIES SENT TO WASHINGTON.

SIR: *REK*

793.94 / 15568

RECEIVED  
DEPARTMENT OF STATE  
JAN 11 1940  
*Handwritten: WBS*

I have the honor to refer to my telegram of December 3, 12 noon, <sup>15530</sup> reporting that the Chinese in Hanoi and Haiphong concede that Nanning has been captured by the Japanese and that the Japanese military activity has spread to the north and northeast. This admission, which is substantiated by other sources of information, puts an end to a period of intense speculation and, for the time being, clarifies the widely discussed problem of transportation to China via Indochina. Under existing conditions, or until the Chinese can retake Nanning and clear that region of Japanese troops, the only feasible modern means of transportation to China via Indochina is the Indochina-Yunnan Railway.

This statement is premised upon the fact that the Caobang road is not ready for motor traffic, that it will not be ready for some months, and that its maximum capacity will be approximately 3 thousand tons a month

JAN 15 1940

F / FG

AIR MAIL

- 2 -

month. As I have reported, the representatives of the various oil companies, who have carefully investigated this road, estimate that it will require a major reconstruction of certain sections to increase the road's capacity beyond that amount. The maintenance of a traffic of 3 thousand tons a month presupposes that the Japanese bombing planes will leave the road unmolested, which is quite unlikely.

In addition to the Indochina-Yunnan Railway, concerning which a report is in preparation, the Chinese will undoubtedly have recourse to a coolie and pony system of transportation. I am informed that such a system is being organized for the mountainous routes north of Caobang and that a certain amount of tung oil and other Chinese exports is already arriving in Indochina by these means. Whether any great amount can be so transported, either from or to China, is highly speculative. For the time being, so far as I have been able to ascertain, none of the oil companies are interested in these means of transportation.

For those sympathetic to the Chinese cause the situation must be viewed with some pessimism. There is now little possibility that the vast store of supplies in and around Haiphong can be transported to China with any degree of expedition. It would appear that a portion of these supplies will have to be transferred to Rangoon, for delivery by the Burma road, and that a portion will probably remain at Haiphong until the issue between China and Japan is decided.

According to many commentators, the Japanese will find

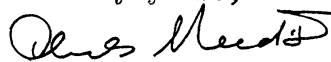
AIR MAIL

- 3 -

find it difficult to extend their position much farther northward, except up the river valley towards Pingma, unless the Chinese resistance collapses. At the same time, it will be difficult for the Chinese to retake Nanning, unless a strong encircling movement threatens the Japanese line of communications. In this connection it is stressed that the Chinese have never retaken an important military objective. The commentators conclude that Japanese aerial activity in Kwangsi, Kweichow and possibly Yunnan will be intensified.

In sum, the Japanese appear to have obtained an important success - the capture of Nanning reduces considerably the amount of supplies that can be transported to China via Indochina and the Japanese have secured an advanced base from which bombings of Chinese positions, either civil or military, can be directed. Moreover, unless the Chinese expedite removing the vast amounts of gasoline now stored in and around Lungchow (estimated at at least 500 thousand gallons), the Japanese will either destroy this vital commodity or may even capture a substantial part.

Respectfully yours,

  
Charles S. Reed II,  
American Consul.

Original and 4 copies to the Department  
Copy to Embassy, Chungking  
Copy to Embassy, Peiping  
Copy to Consulate General, Hongkong  
Copy to Consulate, Saigon

800/315.4

CSR:csr

0021

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

DEPARTMENT OF STATE  
DIVISION OF FAR EASTERN AFFAIRS

15843  
ADVISED ON POLITICAL RELATIONS  
MR. HORNBECK  
JAN 12 1940  
DEPARTMENT OF STATE

~~GA~~  
~~WAK~~  
~~PA/H~~

JAN 12 1940  
SECRETARY OF STATE  
FEB 6 - 1940  
NOTED

793.94/15569

Chungking's despatch No. 399,  
December 8, 1939.

This interesting despatch and enclosure are admirably summarized beginning with the first paragraph of page 2 of the despatch.

The French Ambassador's conversation, as related, seems to indicate that French policy in the Far East -- and that probably includes British policy as well -- will be guided by the Far Eastern policy adopted on the part of the United States.

793.94/15569

FE:Drumright:JFS

UNDER SECRETARY OF STATE  
JAN 16 1940  
MR. WELLES

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75



EMBASSY OF THE  
UNITED STATES OF AMERICA

ADVISER ON POLITICAL RELATIONS  
MR. HORNBECK  
JAN 12 1940  
DEPARTMENT OF STATE

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1940 JAN 2 PM 2 28

No. 399

Chungking, December 8, 1939

Subject: French Attitude toward the Chinese-  
Japanese Hostilities

793.94

CONFIDENTIAL

✓  
DOCUMENT

Division of  
FAR EASTERN AFFAIRS  
JAN 4 - 1940  
Department of State

X

793.94 / 15569

The Honorable  
The Secretary of State,  
Washington, D. C.

UNDER SECRETARY OF STATE  
JAN 16 1940  
MR. WELLES

Sir:

I have the honor to refer to the Embassy's telegram  
No. 624, of December 3, 1939, summarizing remarks made  
by the French Ambassador to Major J. M. McHugh, U.S.M.C.,  
Assistant Naval Attache, on December 2, 1939, in regard  
to the subject indicated at the head of this despatch.

The conversation

JAN 17 1940

F / EG

15569

- 2 -

The conversation reported occurred at a luncheon at the French Embassy in Chungking and the participants were limited to M. Henri Cosme, French Ambassador, Major McHugh and Mr. Hollington K. Tong, who, in addition to being Vice Minister of the Central Publicity Board, is in constant and confidential communication with General and Madame Chiang Kai-shek. I was, myself, present at the luncheon, but knowing the long-established friendship between the Ambassador and Major McHugh I forebore to join the conversation, for fear that if the group became too large its intimate character might be destroyed.

1/ I have the honor to enclose a clear account of what was said, prepared by Major McHugh. Although the memorandum will repay reading in its entirety, the Department's attention is invited to the following salient points:

The attitude of the French Government toward the Chinese Government in its struggle with Japan is not lukewarm. The French Military Mission (whose departure was reported in Chungking's telegram No. 566, of October 23, 1939) did not come to China under the sponsorship, nor even with the knowledge, of the French Government, but it was allowed to remain as a goodwill gesture and its members departed only because their services were required in France. The French authorities have not given any countenance to Japanese puppet regimes in northern and eastern China. The French Government follows closely the lead of the American Government. The real purpose of the Japanese thrust into Kwangsi Province in November was to intimidate the French authorities into closing the routes through Indochina over which the Chinese Government has been importing needed supplies. The French have been and are

- 3 -

and are doing their best to increase the carrying-capacity of the Haiphong-Kunming Railway, but the Chinese have not even provided adequate guards for the portion in Chinese territory. The French authorities foresaw the Japanese invasion of Kwangsi, in an attempt to cut lines of communication, and warned the Chinese in advance; they even took active steps toward the creation of a new motor road from Haiphong to Laokay, where the railway crosses into Chinese territory. The Chinese, however, have not done their part toward improving and developing communication routes, nor toward preventing the cutting of existing routes. Mr. Tong assured the Ambassador that he need have no anxiety lest the Provincial authorities of Yunnan fail to cooperate with the National Government in keeping routes open through that province. The Ambassador found the morale of the Chinese Government even better than it was during the summer.

Major McHugh believes that there has been ground for reports of a lukewarm attitude toward the Chinese side of the present controversy and that the French are apprehensive of a Japanese attack on Indochina. Nevertheless, he believes that the French Ambassador was sincere in saying that he wished to assist the Chinese Government against Japan and he attributes this to the firm attitude taken by the American Government and to a conclusion on the part of the French that in the interests of Indochina and of relations between France and the United States it is desirable to stiffen Chinese resistance to Japan.

My observations in Indochina when on leave in September and October and other considerations cause me to concur

in the

- 4 -

15847

in the opinion of Major McHugh. Although Major McHugh does not wish to commit himself on the subject, it seems probable to me that the French Ambassador made the remarks recorded in the enclosed memorandum at least partially in the expectation that they would become known to the American Government.

Respectfully yours,

For the Ambassador:

*Willys R. Peck*  
Willys R. Peck,  
Counselor of Embassy.

✓  
Enclosure:

1/ Memorandum of conversation,  
as described

Original by airmail to Department  
Two copies to Department  
Copy to Peiping  
Copy to Tokyo

710  
WRP:tm

No. 7A



Enclosure to  
Despatch No. 399  
December 8, 1939

OFFICE OF THE NAVAL ATTACHE  
AMERICAN EMBASSY  
CHUNGKING

5 December, 1939.

**CONFIDENTIAL**

MEMORANDUM FOR THE COUNSELLOR

Subject: Attitude of French Government toward China;  
conversation with the French Ambassador.

1. During the course of a long and frank conversation which took place before, during the course of and after lunch at the French Embassy on 2 December, 1939, the French Ambassador explained in great detail the policy of the French Government toward China. He opened by saying that he had come to Chungking to dispel the many rumors (which he branded as Japanese propaganda) that his Government had at anytime possessed a lukewarm attitude toward the Chinese Government and stated that it would be necessary for him to remain here until after the present Kwangsi campaign had ended.

2. He stated to begin with that a very false impression had been created here and he himself put in a difficult position over the arrival of the French Military Mission. He asserted that he had had absolutely no official information of the despatch of this mission and had telegraphed to Paris after its arrival asking for instructions. To his surprise the French Foreign Office had replied that they knew of no such mission and had even doubted its existence. He had been forced to retort that they were actually present in the flesh and had again requested instructions. Paris had then at first suggested that he arrange for their return but he had demurred, saying that since he had had nothing to do with their coming, he particularly did not wish to have a hand in their departure. He had further urged their retention as a goodwill gesture to which Paris had then agreed. Their subsequent recall, he insisted, had been due solely to the mobilization incident to the outbreak of war in Europe. Nevertheless ugly rumors had immediately begun to circulate both here and in Shanghai to the effect that France was preparing to sacrifice China in order to avoid complications with Japan.

si He

3. He then referred to a rumor which had circulated during September to the effect that a representative of his Embassy had given tacit recognition to the Ta Tao Government in Shanghai by attending an official reception there. (The British Ambassador had referred to this in a conversation I had with him here during the middle of October and gave me the impression that he believed the event to have occurred, but suggested that the Frenchman had probably fled as soon as he had discovered none of his colleagues to be present. I did not, however, mention this. I have since been informed by another source that it was a representative of the French Municipal Council who attended the affair.) M. Cosme denied vehemently that there had ever been any such incident. He added that he had also flatly refused to permit Wang Ching-wei to establish himself in the French Concession despite Wang's plea to ownership of a residence there. He further asserted that despite a tense situation on the borders of the Concession serious clashes had been avoided without conceding anything to the puppets. He added that they also had not surrendered custody of any political prisoners and commented significantly that this was more than the British could point to.

4. Immediately after lunch we were joined by Dr. Hollington Tong, the only Chinese guest present, and started to discuss the present situation in Kwangsi. The Ambassador referred to his and my previous conversation and said he felt he could speak frankly to Tong in front of me because of our long personal friendship. (I have known the Ambassador since 1928 and he has known my wife and her family since 1913.) The Ambassador also remarked that it was the policy of his Government to follow closely the lead of Washington. He then stated he believed, despite the military considerations involved, that the real purpose of the Japanese thrust into Kwangsi was to intimidate the authorities in Indo China and cause them to close their border completely to all Chinese supplies. He reiterated what

what he had told me earlier of the consistency of the French attitude toward China and condemned the reports which emanated from Indo China in September about the closing of the border as having been a misunderstanding with the Minister of Colonies which had been put right speedily as soon as he had brought the situation to the attention of the Foreign Office.

5. He refuted the Japanese rumors, which he regarded as as very serious because of the apparent widespread credence with which they had been received in Chinese circles, by pointing to the fact that the French Government had committed itself to an expenditure of eighty million francs for the expansion of the capacity of the railway to Kunming which action he asserted would be totally unjustified for peace time traffic and could only bear fruit through the transport of supplies to China as long as present resistance continued. He stated that the railway originally had only been capable of 3,000 tons per month; that soon after the outbreak of the present war this had been increased to about 7,000 tons; and that through the recent acquisition of six large locomotives from Java plus more freight cars as part of the above expansion he estimated that the line would soon be carrying 14,000 tons. He said that the absolute maximum it could eventually handle was 22,000 tons.

6. He said that the present Japanese thrust into Kwangsi had been predicted by the Intelligence Branch of the Indo China Government early last summer and that the Generalissimo had been informed of this. They had urged the Generalissimo then and again this fall when the activity was renewed to take the necessary preventive measures. The Ambassador claimed that the present information from Indo China was that the attacking force consisted of three divisions from Manchuria plus one from Formosa, supported by "many, many" naval vessels, as he phrased it. (I had suggested that the force was believed by many people to amount to about 30,000 and Tong had corrected me to say that he thought it to be about

about two and one half divisions.) The Ambassador then told us that as soon as it had been apparent that the attack was on in full force he had immediately taken up the question with the Governor General on Indo China of an alternate motor route to the one through Nanning and had inquired about the feasibility of constructing a road from Haiphong to Laokay where the railroad crosses the border. The Governor General had replied that such a road could be built for a cost of about sixteen million francs. The Ambassador said that he had then immediately taken the question up with Paris and only that morning had received approval of the project. He conceded on his own volition that the sum was not huge, but reminded Tong that it was nevertheless a considerable amount for a country with the present serious war with which France is faced in Europe.

7. He then told Tong that he wanted to talk to him as a friend of China and not as Ambassador. He said that it would obviously be useless for France to build such a route or to indulge in other effort to relieve the congestion of goods in Indo China unless the Chinese did their part by building their end of the road. He inferred very strongly that he thought the Chinese had been delinquent to date both in their handling of their part of the traffic question and in having permitted the Japanese advance into Kwangsi to develop as rapidly as it has. He called Tong's attention to the fact that thus far the Chinese have provided no suitable guards for the bridgeheads and tunnels on the railway to Kunming although the French have their side strongly patrolled. He referred again to the difficult position he has had in maintaining the integrity of the French Concession in Shanghai and told Tong quite bluntly that if the Chinese permitted the Japanese to occupy the territory contiguous to Indo China they would not be able to blame the French later on if they should resort to such conciliatory measures as might be necessary with Japan in order to preserve their interests in Indo China. Tong kept muttering during the above that he would

report

report the Ambassador's remarks to the Generalissimo. The Ambassador expressed the hope that the Generalissimo would take immediate steps to obtain action especially with regard to the protection of the railway line and said that he himself had an appointment with the Generalissimo the following day and expected to speak quite frankly about it.

8. I inquired of Tong if it were politically possible for the Generalissimo to obtain the installation of the necessary defense units along the railway in view of the rather delicate relationship which had existed with Yunnan. I likewise inquired about the present state of that relationship. He hastily assured me that he thought there would be no difficulty in that respect and added that he thought Lung Yun's own troops were good enough to perform the duty. (The latter may be true, but I am not so sure of the former. The relations between Yunnan and the Central Government are still unsettled and will be strongly affected, I believe, by the outcome of the present battle in Kwangsi.) The Ambassador remarked that Lung Yun was under considerable pressure from the Japanese to stop the transit of goods to Chungking, but Tong insisted that Lung is still loyal. (This statement in itself is, I believe, factually correct, but the Yunnanese themselves have resented and resisted the gradual infiltration of the Central Government into their province. It remains to be seen whether this has progressed far enough to ensure that no political upset could occur.)

9. The Ambassador remarked to me aside as I was leaving that he was not at all happy over the military situation around Nanning, saying that his information was that the Japanese were already thirty kilometers north of that city. He again said that


hcc

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

he was going to speak out very frankly to the Generalissimo himself. He remarked, however, that he had found a great improvement here in the general morale over that which had obtained during his last visit in the summer.

10. I believe that there has been some ground in the past for the rumors that the French were lukewarm to the Chinese and that they were very suspicious of possible secret negotiations between the Chinese and Japanese, as well as being afraid of an invasion of Indo China by Japan. The British Ambassador remarked during his last visit here that his French colleague, who was then in Shanghai, was at that time in a state of extreme nervousness over the possibility of some Japanese action against French interests. I think, nevertheless, that M. Cosmè was completely sincere in his assertions quoted above of his desire to assist the Chinese in every possible way, and I suspect that Paris, by reason of the firm attitude which has been displayed by the United States, has decided to do everything possible to stiffen Chinese resistance as being not only in the best interests of Indo China but also of their relations with the U.S.A.

Respectfully submitted

  
J. M. McHugh  
Major, U.S.M.C.  
Assistant Naval Attache

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Chutkin NARS, Date 12-18-75

**TELEGRAM RECEIVED**

HSM

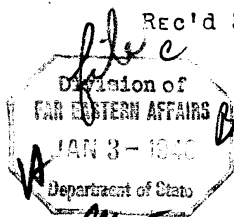
FROM GRAY

Chungking via N. R.

Dated January 3, 1940

Rec'd 3:45 a. m.

Secretary of State,  
Washington.



092

793.94

January 3, 11 a. m.

Following from Yunnanfu:

"Second. Three squadrons of Japanese planes bombed the Yunnan Railway again yesterday between Mengtse and the Indo-China border. A further attempt on Lace Bridge at kilometer 83 was reported. Local railway officials state that this attack was unsuccessful, that damage to road bed at other points could be easily repaired and that traffic continues to be normal. Perkins."

Repeated to Peiping and Shanghai.

PECK

RR

793.94/15570

JAN 5 1940

FILED

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**TELEGRAM RECEIVED**

HSM

GRAY

FROM

Peiping via N. R.

Dated January 3, 1940

Rec'd 6:30 a. m.

Secretary of State  
Washington.



793.94

January 3, 5 p. m.

Following by mail in gray code from Tsinanfu:

"December 29, 10 a. m. Referring to my telegram of September 23, 11 a. m., Japanese sources report Chinese troops under Chang Pu-yun which had marched southeastward in effort to join other Chinese forces were surprised by Japanese near Chucheng on December 17 and dealt the usual crushing blow. This is interpreted as a Japanese admission that at least main body of Chang's men have succeeded in joining forces with other Chinese units in South Shantung.

Sporadic fighting reported in Shanhsien district of Southwestern Shantung where Japanese 'liaison officer' is admitted by Japanese to have been killed in action December 7th. Mail service disrupted but Americans in Shanhsien, as indicated on annual list of Americans submitted January 1st, believed to be safe."

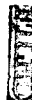
Repeated to Chungking, by airmail to Tokyo.

JOHNSON

KLP

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JAN 8 1940



793.94/15571

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DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Glustein NARS, Date 12-18-75

**TELEGRAM RECEIVED**

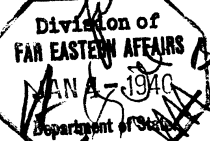
HSM  
This telegram must be  
closely paraphrased  
before being communi-  
cated to anyone. (Br.)

FROM Hong Kong via N. R.

Dated January 4, 1940

Rec'd 12:02 p. m.

Secretary of State,  
Washington.



*Communicated to ONI  
and MID by phone  
January 4, 1940  
EHL*

8, January 4, 11 a. m.

Following is a paraphrase of a message just  
received by air mail from Reed at Hanoi for the Department:

December 30, 6 p. m.

Nine Japanese planes around noon today bombed the  
Yunnan Railway at a point between thirty-six and forty  
kilometers from the French frontier but no damage has  
been reported. Late this afternoon traffic was resumed.

Repeated to Chungking and Peiping. Saigon informed.  
By letter to Kunming.

SOUTHARD

WJC  
RR

JAN 10 1940

FILED

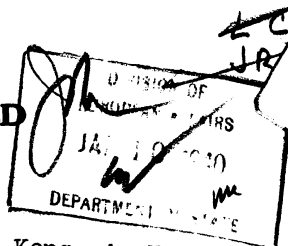
F/FG

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DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

**TELEGRAM RECEIVED**



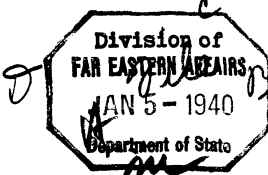
FROM Hong Kong via N. R.

Dated January 4, 1940

Rec'd 3:16 p. m.

HSM  
This telegram must be closely paraphrased before being communicated to anyone. (Br.)

Secretary of State,  
Washington.



*Substance communicated to ONI and MID by telephone 1/5/40 ETD*

9, January 4, 1 p. m.

The following is a paraphrase of a message just received by air mail from Reed at Hanoi for the Department:

January 2, 4 p. m. Referring to my December 30, 6 p. m., there was today a third bombing of the Yunnan Railroad. While no direct hits were made traffic has been temporarily disrupted by landslides. I understand that the French Government has protested and that unless protection is forthcoming the railway officials will consider organizing their own defense.

Repeated to Chungking and Peiping. Saigon informed. By letter to Kunming.

SOUTHWARD

WVC

FILED  
JAN 11 1940

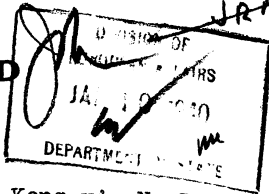
793.94/15573

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DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Hunt NARS, Date 12-18-75

**TELEGRAM RECEIVED**



FROM Hong Kong via N. R.

Dated January 4, 1940

Rec'd 3:16 p. m.

HSM  
This telegram must be closely paraphrased before being communicated to anyone. (Br.)

Secretary of State,  
Washington.

9, January 4, 1 p. m.

The following is a paraphrase of a message just received by air mail from Reed at Hanoi for the Department:

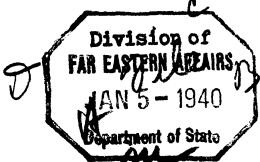
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Repeated to Chungking and Peiping. Saigon informed. By letter to Kunming.

SOUTHARD

VWVC

Substance communicated to ONI and MID by telephone 1/5/40 372



793.94

793.94/15573

JAN 11 1940

F/FG

15849 *LC*

**TELEGRAM RECEIVED**

RFP

DIVISION OF  
EUROPEAN AFFAIRS  
JAN 10 1940 FROM  
DEPARTMENT OF STATE

GRAY

Tokyo via Shanghai & N.R.

Dated January 6, 1940

Rec'd 3:23 a.m.

Secretary of State

Washington

COMMUNICATIONS SECTION  
O.N.I. AND  
*REK*

Division of  
FAR EASTERN AFFAIRS  
JAN 8 - 1940  
Department of State

6, January 6, 7 p.m.

*Tel to Tokyo drafted*

The French Ambassador in two strongly worded notes to the Foreign Minister on January 5 and 6 has protested against the bombing of the Yunnan railway.

The first note directs the Minister's serious attention to large scale bombing attacks on December 30, January 1 and 2, and emphatically points out the unfavorable effect on present efforts in Tokyo and Paris for the adjustment of relations between the two countries caused by this entirely unwarranted bombing of property constructed and operated by a French *company*. Assurances of the taking of measures to prevent occurrence of similar incidents are requested and reservation of the right to obtain compensation is made.

The second note states that a fourth bombing on January 4 makes even more urgent the issuance of stringent orders to cease such attacks and calls attention to the grave injury which will be done to the relations between the two countries by the continuance of such acts.

Sent to the Department via Shanghai. Shanghai please repeat to Chungking and Peiping.

CFW  
(\* ) apparent omission

GREW

*Note 751.94*

793.94/15575

F/EG

7038

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quatgen NARS, Date 12-18-75

15850

PREPARING OFFICE  
WILL INDICATE WHETHER  
Collect  Full rate  
 Day letter  
 Night letter  
Charge Department:  
Full rate  
Day letter  
Night letter  
Charge to  
\$

TELEGRAM SENT

TO BE TRANSMITTED  
 CONFIDENTIAL CODE  
 NONCONFIDENTIAL CODE  
PARTAIR  
PLAIN

Department of State

1940 JAN 27 PM 2 30

Washington, ~~1940~~  
January 27, 1940. B

AMEMBASSY,  
TOKYO (JAPAN)

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

3 PM

36, 793.94/15575  
Your 6, January 6, 7 p.m.

The Department is informed that in a recent communication to the French Government the Japanese Government requested that the French Government close the Indochinese frontier to all transit and stated that if this request should be refused the Japanese would continue to bomb the railway and would reject all responsibility for damages caused thereby. It is understood that the French Government has replied to the Japanese Ambassador at Paris inter alia that the Japanese Government has carefully refrained from declaring war on China; that Japan is, therefore, <sup>not</sup> ~~un~~qualified to claim belligerent rights; that the French Government is not repeat not bound by any legal obligation to Japan in regard to the transit of war materials through French Indochina; and that, if the frontier should be closed, the French Government would be compelled to ~~not~~ stop <sup>toward</sup> ~~the~~ exportations <sup>of certain products.</sup> ~~to Japan from French Indochina.~~

793.94/15575

Enciphered by .....

Sent by operator ..... M., ..... 19.....

F/FG

7039

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

15851

PREPARING OFFICE  
WILL INDICATE WHETHER

TELEGRAM SENT

TO BE TRANSMITTED  
CONFIDENTIAL CODE  
NONCONFIDENTIAL CODE  
PARTAIR  
PLAIN

Collect { Full rate  
Day letter  
Night letter

Department of State

Charge Department:  
Full rate  
Day letter  
Night letter

Washington.

-2-

Charge to  
\$

The Department is further informed that the French Am-  
bassador to Tokyo ~~has been~~ <sup>was</sup> instructed to make a similar  
reply to the Japanese Foreign Office.

Please mail cipher/text to Peiping and Chungking.

Hull

aaB

~~CR~~ CR  
27 1940 PM

793.94/

WAA  
FE:WAA:HES

JW  
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m.m.H.

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S144

Enciphered by \_\_\_\_\_

Sent by operator \_\_\_\_\_ M., \_\_\_\_\_, 19\_\_\_\_

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

EDA

This telegram must be closely paraphrased before being communicated to anyone (BR)

CHUNGKING VIA N.R.

*FE*

**TELEGRAM RECEIVED**

Dated January 8, 1940

Received 6:40 a.m.

Secretary of State

Washington

15, January 8, noon.

FROM

COPIES IN DATABASE  
SENT TO C.E.I. AND  
S.I.D. IN CONSIDERATION

*FEI*

Division of  
FAR EASTERN AFFAIRS  
JAN 8 - 1940  
Department of State

Reference Embassy's 13, January 7, 11 a.m. quoting Yunnanfu's January 6 to Embassy, bombing of Yunnan railway.

French Embassy confirms press reports that a bridge in Yunnan sections of railway was damaged by aerial bombing January 6. Damage said to be slight and materials sufficient to replace completely two bridges said to be on hand in Indochina.

Repeated to Peiping, Shanghai, Hong Kong. Shanghai please repeat to Tokyo, to Yunnanfu by air mail.

PECK

RR

793.94/15576

JAN 11 1940

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F/FG

*7*

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Quisenberry NARS, Date 12-18-75

CONFIDENTIAL

Confidential

PARAPHRASE

A telegram (no. 15) of January 8, 1940 from the American Embassy at Chungking reads substantially as follows:

Press reports of the damaging on January 6 by aerial bombs of a bridge in the Yunnan section of the Indochina-Yunnan Railway have been confirmed by the French Embassy, but the damage was reported as slight. Materials adequate to completely replace two bridges are reported to be available in Indochina.

793.94/15576

*220*  
FE:EFD:HJN  
1/8/40

*ε.g.C.*  
FE



CROSS-REFERENCE FILE

NOTE

**SUBJECT** Relations between China and Japan.  
Japanese aggressiveness is believed to have been diminished by the continued sturdy resistance of China and by the German betrayal of the Anti-Comintern Axis.

rr

793.94 / 15577

For the original paper from which reference is taken

See #559  
(Despatch, telegram, instruction, letter, etc.)

Dated Nov. 9, 1939 From Singapore (Patton)  
To

File No. 846d.00.P.R./76

15577

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quisenberry NARS, Date 12-18-75

CROSS-REFERENCE FILE

NOTE

**SUBJECT** Sir Clare Cripps, MP due in Chungking about January 15, 1940.  
This journey has endorsement of British Government.

793.94/15578

For the original paper from which reference is taken

See Tel. #1 noon  
(Despatch, telegram, instruction, letter, etc.)

Dated Jan. 1, 1940 From China (Chungking) Peck  
To \_\_\_\_\_

File No. 893.51/7020

N

15578

CROSS-REFERENCE FILE

NOTE

**SUBJECT** Frustration of the ambitions of the Japanese on the Asiatic mainland will not increase the likelihood of a Japanese drive southward as long as the American Government maintains its present attitude. In such an event neither an effort to settle the China problem with Soviet cooperation nor an abandonment of the present attitude of neutrality toward the European Allied Powers is to be ruled out.

793.94/15579

For the original paper from which reference is taken

See Tel.#4 2pm  
(Despatch, telegram, instruction, letter, etc.)

Dated Jan. 5, 1940 From Japan (Grew)  
TU

File No. 894.00/887

N

15579

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Hueston NARS, Date 12-18-75

Letter No. 30



On board M. S. Victoria  
Shanghai-to-Singapore  
October 22, 1939

Dear Mr. Rogers,

Dec 2, 1939

When I cabled from Osaka of my travel plans, it was almost with the confidence bred of ignorance. Troop movements are so heavy that it had been impossible to get boat reservations between Japan and Shanghai before the end of October. So after arranging for baggage I reserved a seat in the plane, a Douglas DC-3, from Osaka to Shanghai. Rain forced travel by train to Fukuoka, the China Sea jumpoff point. There all was well until just time to leave the city ticket office, when some extra officers showed up. Seven civilians had places on the plane, and four of them had to be rooted out to make places for the military. All my arguing led only to a chance in drawing lots. If I'd lost I would have missed the Victoria, and the whole schedule to India would have been messed up. I won.

Three hours after we left the mountains of Japan, on which a view from the air showed most clearly the pinched terraced farming, we came over the flatness that is the China coast. Even when we began to settle, I didn't see an airport. We had touched ground before I realized that the turf landing field is surrounded for miles only by camouflaged buildings.

793.94

The hour's bus ride from airport to city was a shocking experience. Still warmed with Japanese hospitality, I found impact with the Nippon military machine brusque. Outside the International Settlement, French concession and Japanese town, Shanghai is a moribund city, with wounds that gape. Less than a mile from the airport I first saw husks of brick buildings which had been punched full of holes, twisted, broken down and burned black by the bombs of the 1937 war and the fires that followed. One group of buildings, in which activity was evident only in structures surrounding the main shambles, flew the American flag. I suppose it is a mission school. In the city itself block after block of houses, offices and apartment buildings stand in various states of destruction. Acres of ground have half-buildings on them, with hardly a livable room remaining. As we drove into the city all the Japanese (I had been the only alien on the plane) tipped their hats each time we detoured a barbed wire obstruction in the middle of the street and passed a group of sentries. These were representatives of the Emperor, entitled to the bow of respect.

These Imperial representatives guard their area carefully, I learned later in the day while touring the desolation with my friend who is consul of France in Shanghai. No one without a pass may enter the Japanese-controlled area. Every Chinese, and even a foreign consular official, must have a card. At some spots along the line between the International Settlement and the part of Shanghai flying the Rising Sun flag there is only a heavy barbed wire barrier. Elsewhere rails half buried in the ground jut up at one foot intervals against would-be attackers. The whole impression of military resoluteness, while not directed against Americans, makes the American battleship Augusta loom up in the Whangpoo as friendly indeed.

But felt more than the aggressiveness of living soldiers is the ghostly pall hanging over the whole deserted town. No pictures from the France of 1919 seemed as deathly as this carcass of a modern city. It was eery to find in a residential district not one building

793.94/15580

DEC 2 1939

F/FG

Page 2.

which doesn't have a corner ripped open, a side stripped off, half of a second floor hanging in air. Fire had made the scene even more messy. Our tour lasted until after dark. Perhaps one lighted room in two blocks would be a fair estimate of the life remaining there. I looked at the Shanghai blotted out in 1937, and thought of the Madrid of 1938, the Warsaw of this moment--and even of Lincoln Park, Chicago, as it might be under similar circumstances.

Over the bridge into the Settlement means going to a new world. Money is cheap in Shanghai--14 Chinese dollars for one U. S. now--and foreigners live well. Even at \$22 a night, hotel rooms aren't expensive. Ten dollar restaurant dinners are nothing. In the Shanghai Settlement at night the streets are bright and crowded with cars; stores stay open late and Chinese clerks speak English well; hai-alai, the Basque super-handball sport, is the favorite of those who love to bet, and night clubs thrive on the scale of New York and Paris (but without the floor shows). The rickshas on the Bund can't destroy the western flavor given by tall stone buildings, the slow-marching bagpipers, the pungent "cheerio" and "rawther." It's a cheerful place after Tokyo, and even if the residents are quarantined to the Settlement, an arrangement they don't like, they can feel more homey than do their compatriots in Japan.

A visitor leaves Shanghai remembering, too, the handsome Sikh policemen, the Chinese women with their dresses of solitary style: sleeveless and dropping straight from a high neck to the shoe line, relieved only by side slits to the knee. He reflects on the number of young Chinese girls appearing with older women, especially when he has been told that the relationship is by purchase. He laughs in thinking of the Chinese amusement hall, a rambling four-story affair that houses comic mirrors, masks and costumes, carnival side shows, and no less than six stages from which Chinese actors hold forth to a bustling, noisy, ever-changing crowd that couldn't possibly hear any of the dialog.

Overnight in Shanghai isn't nearly enough. But with only a six-hour stop in Hongkong, it was possible to see even fewer of the sights. More beautiful than Shanghai because of the mountains on whose sides it is set, Hongkong gives the impression chiefly of a residence of British overlords to a crowd of Chinese people living on a rocky island. Though Shanghai streets carry London-type busses, Hongkong has the touches that make it seem far more a part of England: Boots chemist shops, Austin Reed clothes, ads for Sandemann's port and Hamish Hamilton books, and ubiquitous Tommies in tropical uniforms. The Hongkong Hotel might as well be the Regent Palace, for its patronage. And while the exchange rate is about four Hongkong dollars for one U. S., prices on home goods are even dearer than in London.

Hongkong has three main streets paralleling the shore at successively higher levels. Then it begins to work up the mountain-side in earnest, so that one climbs steps to get further back in the city. That is a section jammed with Chinese shops. Tailors abound, and they must be the fastest in the world. One insisted he could make a white Irish linen suit to measure in no time. He took my order at 12:30 o'clock, and received his HK\$12.00 (U. S. \$3.00) at the boat at 3:30. The suit fits, too.

The Victoria, a Lloyd Triestino express liner of 14,000 tons, has the appointments of a cruise boat. Spreading lounges for

Page 3.

first class, an adequate smoking room for second; dinky cabins; service that seems gauche after the smooth performance of the Tatuta Maru staff. It's almost a deserted ship, though. In second class, whose capacity is 120, we left Shanghai with 27 passengers, seven of them white. At present three passengers on the whole boat are booked to Europe, although more will be picked up at the various stops. On each side of the ship is painted an oversized Italian flag which is kept spotlighted all night. But today for the first time since war broke out the ship has been authorized to send outgoing radio messages, so something must have happened to relieve anxiety.

Tomorrow we reach Manila. An extensive 6 a. m. harbor greeting has been planned, I'm told, for Vice-President Osmena, who is returning after a year abroad. Though primarily a happy, fatherly friend to the Filipino youths aboard while he's traveling, he must be a power in the Islands.

Sincerely yours,

*Phillips Talbot*

1148  
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Quate NARS, Date 12-18-75

Letter No. 28

Nearing Yokohama  
On board S. S. Tatuta Maru  
October 9, 1939

Dear Mr. Rogers

Our pleasant two week--less a day lost at the date line --ocean crossing has turned into a short course on the Philippine independence movement, surprisingly enough. Our teachers are ten or twelve Filipino business men, planters and professors traveling homeward with the vice-president of the Commonwealth, Signor S. Osmena. Socially a cohesive group, they are poles apart on the independence issue.

It is clear that Filipino business men don't want their freedom. The islands, with sugar for export and their extensive wealth in minerals needed by Japan, are seen as too rich a prize to be left alone when the Stars and Stripes move out. A defense force that is supposed to reach 400,000 by 1946 "couldn't possibly" keep out the Asiatic aggressor seeking markets, investment opportunities and room to expand into comparatively sparsely-populated arable land. Besides, they can't figure a way to cushion the shock of breaking the economic union between the Philippines and her motherland. Their sugar now constitutes 60 per cent of Philippine exports and provides half the government revenue. But apparently it can not compete equally in the American market with Cuba's and Java's products. In 1935 a Philippine plebiscite heartily endorsed independence. "But if we were to have an election today," one planter insisted, "90 per cent of the people would be against."

Signor Osmena, Quezon's lieutenant since the presidential election four years ago and before that speaker of the assembly, has stood for many years on a platform of independence. "No colonial peoples have been as well treated as we," he told me last night, "and American protection is valuable. I hope we can work out some kind of a trade agreement to help us along; maybe even a new political formula might be evolved. But our goal is still the independence scheduled for 1946, and the mass of the people want that. Only certain classes are opposed."

Economically he counts on a bill, signed recently by President Roosevelt, softening the blow of tariff barriers and opening the way for re-examination of the arrangements in 1944. And to Signor Osmena the defense problem is not insuperable. In fact he thinks that attempts at economic penetration are more likely than direct attacks against the Philippines' 18,000,000 people on some 7,000 islands.

So the issue turns around trade, Japan's intentions, defense potentialities and--advancing political sentiment. One of the professors in the party considers that public opinion favors independence now, but may well fall into line with the business views before 1946.

This is all talk about a situation supposedly settled, of course. Even if the Filipinos should change their mind, there is no evidence that the American congress will do the same. As long as isolationist sentiment is strong, as I believe it should be, America's whole policy under the new conditions in the Far East--with an advancing Japan and a weakened Britain--will have to be considered in contemplating continued responsibility for

Page 2.

the Philippines. An intelligent solution would be easier if, as these delegates wryly report, so many people didn't confuse Manila with Havana, or think of the Philippines as vaguely on the other side of Hawaii, rather than longitudinally as beyond Tokyo.

My other new friends, some Japanese gentlemen, are considerably more circumspect regarding their country's aspirations. They never discuss them in mixed conversation. In answer to a blunt question regarding the war the other night, two professors worked out a joint answer to the effect that contrary to report there are youths still studying in the universities; that they had listed their gold ornaments for the government, but had donated not more than half of them to the treasury; that people still go to theaters and play the golf courses around Tokyo. Not a comment was offered on the ethics of the incident, nor on public sentiment in regard to military policy.

These Japanese are great entertainers. The passengers whom we have met are 100 per cent hospitable and eager to help us after we touch land tomorrow. The crew's contribution is in outdoing anything I saw on the Atlantic in showmanship. Two nights ago the stewards put on a distinctly excellent variety show. Our cabin boy produced real drama as a mother caught stealing bread for her child. And tonight the sayonara--"since it must be so"--dinner was made a delightful, if noisy, success by elaborate decorations and all the party favors and novelties which are Japan's forte. With an exchange of gifts (we were each handed a small framed painting of the boat) and a number of speeches after dinner we witnessed the graceful combination of oriental and ambassadorial suavity.

It's been a fine trip. Almost perfect steward service, amazingly low prices (11 cents for pressing a suit), beautiful weather; with more sleep, more reading and more deck tennis than I've had all summer.

And tomorrow, Japan. I'm looking forward to it with a good deal of anticipation, and to the following weeks that will be taken up on the route to India.

Sincerely yours,

*Philippe Talbot*



Letter No. 29

Osaka, Japan  
October 17, 1939

Dear Mr. Rogers,

Of all my impressions of this week in Japan, hospitality is far and away the strongest. Ever since we landed in Yokohama on October tenth people have been dropping their own affairs to show me their national beauty spots and historic centers. It's really surprising. A Home Office man spent half a working day taking me through the art museum. A professor rearranged his university schedule so we might visit. A business executive dropped work for a full day to take Tom and me to Nikko, and then to dinner in his home. Another professor, whom we met on the boat, led us through the soldiers' and Meiji shrines in Tokyo one day, and all around Kyoto another. These are all men whom we had not met before, yet they did their utmost to assure us of a pleasant stay in Japan.

They showed us that it is a beautiful country. Tokyo's palace and shrine gardens give the city refreshing green oases which help make up, to a western eye, for the crowded, gaudy, cluttered business streets which are picturesque but not pretty. Nikko has, we found when we had maneuvered a breathtaking 2,000 foot auto climb up a one way road with 40 hairpin curves, mountain scenery to revel in; a hill-ringed lake much like Lake Tahoe, and a waterfall that shoots over the side of a cliff and drops 400 feet to the pool below. Nikko also has one of Japan's oldest Buddhist temples, a building whose lacquered surfaces are satin with the countless refurbishings of 1100 years. It, like the Meiji shrine in Tokyo with its imposing torii (gate) and its large buildings which manage to be both sturdy and delicate, is the object of reverence by tourists of all kinds, including groups of 50 to 100 school children whom we inevitably met in our own touring. A smaller shrine in Kyoto, we discovered, is as perfect a gem, nestling silver and brown at the foot of the Moon-Waiting Mountain. Another treasure of Kyoto is the old palace of the emperors and a castle of the Shogun dictators who ruled Japan for 265 years before the restoration of Imperial power in 1868. Kyoto provided our first meeting with the formal tea ceremony, also, and a visit to what the owner called an old-fashioned Japanese home. We were delighted with both.

In Japan, particularly in Tokyo, there is much that is western. The subway, street cars and automobiles, the broad macadamized streets, the reinforced concrete buildings, the punctual, though regularly crowded, steam and electric railway trains, and the love of baseball. Yet the Oriental greatly predominates. The claque of stilted wooden footgear, the geta, is a characteristic street noise. Small stalls and shops abound, all of them either placed on the sidewalk or opening onto it, and offering for sale every imaginable article. Though most men wear western dress the dark grey kimono, with grey felt hat and cane or umbrella, is seen on the street. Only a few women eschew for skirts their more colorful kimonos, brightened further with gay sashes. We were

Page 2.

told that since the China Incident a widespread return to native traditions has made many women give up American frocks and high heels. On Tokyo streets occasional deformed beggars raise their hands to a passerby. Almost no other tourists were evident in the Japanese-style restaurants we tried. In the two Japanese inns where we spent nights, with more or less ludicrous difficulties, no word of English is spoken. Almost nowhere outside of the big hotels and stores is English well spoken, though presumably half the population can read and write it to some degree. Anyway, a few simple words and sufficient motions usually suffice to make clear one's meaning.

It is definitely a country pinched by war. One host drove me to the Meiji picture gallery in his Packard, and explained only on our return to the Imperial Hotel that his gasoline quota is 11 gallons per month. Elsewhere I heard that supplements can be obtained, but at considerable expense and some risk. I don't know any other large city with so few automobiles on its streets. Taxis are scarce, having been halved in number in recent months. Street lighting at night gave the effect almost of the practice blackouts I saw in Paddington, London, last spring. The explanation of a power shortage due to drought sounds inadequate. At night drivers turn off their car lights, and frequently their motors, while waiting for a traffic light change. An American woman told me she is limited to five eggs a week for herself, five for her husband. Production quotas have been placed on industries, and in addition there are controls on prices. Despite that, the cost of living is said to have risen by a quarter for natives and considerably more for the aliens who like foreign goods that tariffs and poor exchange make so expensive. This week the country is ending a 5-day embargo on the retail sale of pork. The further production of men's bathing suits has been forbidden in order to conserve wool. Cotton drawers will have to do from now on. American newspaper men on the Japan Advertiser and in the agency bureaus say Tokyo is not nearly so good a place to live as it was a few years ago. Why, there isn't a good night club open in the city, and practically no dance hall.

The condition in Japan most surprising to me is the forthrightness with which newspapers and individuals speak their sentiments about the government. Japan is a long way from Germany in that regard. In a railway coach a business man held forth about the excess of laws and restrictions in much the vein of an American Republican. Journals clamored for the resignation of the cabinet and Foreign Minister Nomura after a face-losing mass resignation by the Foreign Office staff. That incident came, by the way, on the day we met Mr. Nomura at a reception given by Ambassador Grew. Criticism is accepted--except against the army.

There have been jarring notes to our visit: company after company of soldiers in campaign-worn uniforms; short family funeral processions, each with a box of ashes and a picture of the dead soldier son, and the war restrictions. Otherwise I carry away memories of a people most friendly and a land most beautiful.

Sincerely yours,

*Phillips Elliott*

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

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YENCHING UNIVERSITY

PEIPING, CHINA

American Office  
150 Fifth Avenue  
New York, N. Y.

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793.94

Dr. Stanley K. Hornbeck  
Department of State  
Washington, D. C.

Dear Dr. Hornbeck,

Enclosed herewith is a copy of a letter from  
President J. Leighton Stuart under date of November 8.

We have as a rule sent copies of Dr. Stuart's  
letters both to you and to Mr. Maxwell M. Hamilton. In  
general we have not sent letters direct to Mr. Hull, but  
have assumed that you and Mr. Hamilton will call to his at-  
tention any letters or excerpts in which he would be particu-  
larly interested.

We would be grateful for any suggestion you care  
to make as to any modification we might make in this procedure  
which would insure that all of our friends in the State Depart-  
ment see such letters from China as would interest them, at the  
same time avoiding any needless duplication.

With every good wish for the New Year, I am

Very cordially yours,

*B. A. Garsdie*

BAG:ms  
Enc.

December 26, 1939

File  
Department of State

RECEIVED  
DEPARTMENT OF STATE  
JAN 6 1940  
COMMUNICATIONS  
AND RECORDS  
DIVISION  
1939

ack'd  
January 5 1940

793.94/15581

JAN 9 1940

F/FG

Confidential

November 8, 1939

To the Board of Trustees:

This is in the nature of a postscript to my report under date of October 14. A few days after that was written Ambassador Grew shortly after his return to Tokyo made an address in which he set forth the American attitude to Japanese military activity in China. In this it can be safely assumed that he was speaking with the fullest authority from the Administration. As it is what I have been hoping for and advocating I am naturally immensely pleased as are all of our fellow-countrymen in this city whose views I have heard. The friendly tone with which so frank and firm a statement was permeated makes it a model for diplomatic negotiations. It was admirably done. Already its effects are showing themselves.

The rather pathetic attempts at rebuttal and other forms of publicity with which they hope to neutralize its force may well be ignored. But a pronouncement from Tokyo on the Wang Ching-wei movement has more substantial interest. This is that while General Itagaki will be allowed to carry forward his promotion of this attempted method of ending the war, yet what the Japanese Government really desires is permanent peace in Eastern Asia and it will seek to secure this through whatever may seem to be the most effective means.

General Itagaki was largely responsible for the seizure of Manchuria. It was he again who advocated the anti-comintern pact which led to the overthrow of the Cabinet in which he was War-minister when the German-Russian agreement discredited his pro-German policies. He was more recently entrusted with the task of crushing Chiang Kai-shek by military and political processes. Having suffered a severe set-back in the military defeats in North Hunan, he has been urging a political solution through a revamped "Central Government" led by Wang Ching-wei, maintained of course with Japanese bribes and bayonets.

This official explanation from Tokyo is an open admission of the internal struggle which has been continuing for some weeks past among their militarists. One minority element have come to realize the futility of this or any other similar device and are advocating some approach to the Chungking Government, but agreed not to press this in view of the official commitment to Wang Ching-wei. At this point - probably in large measure due to Mr. Grew's warning - there was a wavering in the direction of repudiating this puppet "Central Government" scheme after all, when Itagaki sent word that if this were done he would take things into his own hands and defy Tokyo. I have reported these details of news which has been reaching me from reliable sources because it seems to indicate that the crumbling of Japanese solidarity may have begun. Once the military extremists are unable by censorship to deceive and by organized force to compel their own people into the support of their policy, their abandonment in favor of a more enlightened treatment of China and of other countries in China may be expected.

But it is just here that Americans need to be most alert. Under the present stress they may seem to comply with our demands and we may with the best intentions cease to press these. They can be very plausible in their promises. But the lesson of Formosa, Korea, Manchuria and all that has been occurring in the occupied areas of China proper is unmistakably clear, and we shall let slip a unique opportunity and render a disservice to both of these countries unless we press our present advantage by insisting on a fundamental solution. This in its simplest terms is the withdrawal of all Japanese troops from the whole of China, within the Great Wall, including especially North China and Inner Mongolia. This is the only adequate guarantee of good faith. The Chinese Government will hesitate to

-2-

accept even this agreement unless it is more or less sponsored by ours. Our country has both the power and the moral idealism in international affairs to accomplish this and without any slightest danger of war. The worst that could befall might be some temporary loss of trade and possible injury to American life and property in these occupied areas. These at their worst would be a small price to pay for the vastly greater good.

There is a feeling among us of impending crisis as America and Japan come to grips on the issue which has now been precipitated. Some Japanese are advocating closer relations with Russia as the best means of parrying the American thrust. Others are probably trying merely to frighten us with this threat. But at this writing the question whether and how the United States will implement the strong hints given to Japan of disapproval of the course of events in China is absorbing our attention. Confirmation has just been received of Senator Pittman's statement that an embargo in whole or part will be enforced after January 25 if Japan does not give satisfaction as to American rights before that date. This is a very wise and even friendly move as helping to break through the crust of Japanese censorship and illusory concepts. I am adding these few lines to much that I have previously written on the subject in the hope that those who read them will understand how largely it is now in our power to end this iniquitous and blundering attempted conquest of a neighboring country merely by ceasing to sell to her the war-supplies without which she cannot carry on.

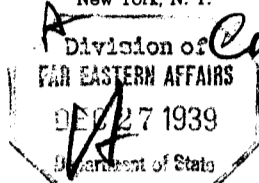
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Department of State letter, August 10, 1972  
By Milton C. Gustafson NARS, Date 12-18-75

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YENCHING UNIVERSITY

PEIPING, CHINA

American Office  
150 Fifth Avenue  
New York, N. Y.



December 26, 1939

Mr. Maxwell M. Hamilton  
Department of State  
Washington, D. C.

Dear Mr. Hamilton,

Enclosed herewith is a copy of a letter from President J. Leighton Stuart under date of November 8.

We have as a rule sent copies of Dr. Stuart's letters both to you and to Mr. Stanley K. Hornbeck. In general we have not sent letters direct to Mr. Hull, but have assumed that you and Mr. Hornbeck will call to his attention any letters or excerpts in which he would be particularly interested.

We would be grateful for any suggestion you care to make as to any modification we might make in this procedure which would insure that all of our friends in the State Department see such letters from China as would interest them, at the same time avoiding any needless duplication.

With every good wish for the New Year, I am

Very sincerely yours,

*B. A. Garside*

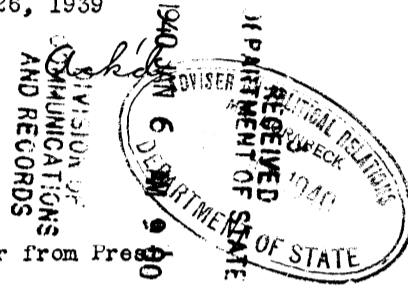
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Enc.

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T. C. CHAO, *Dean, School of Religion*  
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Confidential

November 8, 1939

To the Board of Trustees:

This is in the nature of a postscript to my report under date of October 14. A few days after that was written Ambassador Grew shortly after his return to Tokyo made an address in which he set forth the American attitude to Japanese military activity in China. In this it can be safely assumed that he was speaking with the fullest authority from the Administration. As it is what I have been hoping for and advocating I am naturally immensely pleased as are all of our fellow-countrymen in this city whose views I have heard. The friendly tone with which so frank and firm a statement was permeated makes it a model for diplomatic negotiations. It was admirably done. Already its effects are showing themselves.

The rather pathetic attempts at rebuttal and other forms of publicity with which they hope to neutralize its force may well be ignored. But a pronouncement from Tokyo on the Wang Ching-wei movement has more substantial interest. This is that while General Itagaki will be allowed to carry forward his promotion of this attempted method of ending the war, yet what the Japanese Government really desires is permanent peace in Eastern Asia and it will seek to secure this through whatever may seem to be the most effective means.

General Itagaki was largely responsible for the seizure of Manchuria. It was he again who advocated the anti-comintern pact which led to the overthrow of the Cabinet in which he was War-minister when the German-Russian agreement discredited his pro-German policies. He was more recently entrusted with the task of crushing Chiang Kai-shek by military and political processes. Having suffered a severe set-back in the military defeats in North Hunan, he has been urging a political solution through a revamped "Central Government" led by Wang Ching-wei, maintained of course with Japanese bribes and bayonets.

This official explanation from Tokyo is an open admission of the internal struggle which has been continuing for some weeks past among their militarists. One minority element have come to realize the futility of this or any other similar device and are advocating some approach to the Chungking Government, but agreed not to press this in view of the official commitment to Wang Ching-wei. At this point - probably in large measure due to Mr. Grew's warning - there was a wavering in the direction of repudiating this puppet "Central Government" scheme after all, when Itagaki sent word that if this were done he would take things into his own hands and defy Tokyo. I have reported these details of news which has been reaching me from reliable sources because it seems to indicate that the crumbling of Japanese solidarity may have begun. Once the military extremists are unable by censorship to deceive and by organized force to compel their own people into the support of their policy, their abandonment in favor of a more enlightened treatment of China and of other countries in China may be expected.

But it is just here that Americans need to be most alert. Under the present stress they may seem to comply with our demands and we may with the best intentions cease to press these. They can be very plausible in their promises. But the lesson of Formosa, Korea, Manchuria and all that has been occurring in the occupied areas of China proper is unmistakably clear, and we shall let slip a unique opportunity and render a disservice to both of these countries unless we press our present advantage by insisting on a fundamental solution. This in its simplest terms is the withdrawal of all Japanese troops from the whole of China, within the Great Wall, including especially North China and Inner Mongolia. This is the only adequate guarantee of good faith. The Chinese Government will hesitate to

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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

-2-

accept even this agreement unless it is more or less sponsored by ours. Our country has both the power and the moral idealism in international affairs to accomplish this and without any slightest danger of war! The worst that could befall might be some temporary loss of trade and possible injury to American life and property in these occupied areas. These at their worst would be a small price to pay for the vastly greater good.

There is a feeling among us of impending crisis as America and Japan come to grips on the issue which has now been precipitated. Some Japanese are advocating closer relations with Russia as the best means of parrying the American thrust. Others are probably trying merely to frighten us with this threat. But at this writing the question whether and how the United States will implement the strong hints given to Japan of disapproval of the course of events in China is absorbing our attention. Confirmation has just been received of Senator Pittman's statement that an embargo in whole or part will be enforced after January 25 if Japan does not give satisfaction as to American rights before that date. This is a very wise and even friendly move as helping to break through the crust of Japanese censorship and illusory concepts. I am adding these few lines to much that I have previously written on the subject in the hope that those who read them will understand how largely it is now in our power to end this iniquitous and blundering attempted conquest of a neighboring country merely by ceasing to sell to her the war-supplies without which she cannot carry on.



7058

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Department of State letter, August 10, 1972  
By Milton O. [unclear] NARS, Date 12-18-75

January 5 1940

In reply refer to  
FK

My dear Mr. Garside:

The receipt is acknowledged of your letter of December 26, 1939, addressed to Mr. Hornbeck, and of your letter of the same date addressed to me, with each of which you enclose a copy of a letter of November 8 from Dr. J. Leighton Stuart in regard to matters relating to the situation in the Far East.

Dr. Stuart's letter has been read with interest and your courtesy in making it available to us is very much appreciated.

As you surmise, we are careful to bring to Secretary Hull's attention any letters or excerpts therefrom in which we feel he would be especially interested. In fact, we make a special point of circulating to all interested officers in the Department letters and other reading matter pertaining to the subjects in regard to which they are specially concerned.

The

Mr. B. A. Garside, Executive Secretary,  
Associated Boards for Christian Colleges in China,  
150 Fifth Avenue,  
New York, New York.

793.94/15581

F/FG

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Huston NARS, Date 12-18-75

-8-

The usual practice is for letters to be addressed to the Secretary of State. Upon receipt in the Department, the letters are indexed and are then routed to the interested offices. I suggest, therefore, that in order to save your office duplication of work you may wish to follow this practice and I think you may be assured that your communications will reach the eyes of the appropriate officers in the Department.

Sincerely yours,

*M. H.*  
Maxwell M. Hamilton  
Chief  
Division of Far Eastern Affairs

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JAN 5 1940

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1/3/40

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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

DECLASSIFIED

DD Form 138, 1 Sept 27, 1958 COPY  
Tab by M. Kelly Date 4/28/68

*Navy Dept*

UNITED STATES ASIATIC FLEET  
U.S.S. AUGUSTA (Flagship) 16/aw

A9-5/R-0698

Shanghai, China,  
1 November, 1939.

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RECEIVED  
DEPARTMENT OF STATE  
DEC 21 1939  
SUBJECT  
DIVISION OF FAR EASTERN AFFAIRS

From: Commander in Chief, Asiatic Fleet.  
To: The Chief of Naval Operations.

Division of  
FAR EASTERN AFFAIRS  
DEC 16 1939  
Department of State

SUBJECT: News Letter for Month of October, 1939.

MILITARY

During the month under review, the fighting on all fronts was more intensive than usual and, except in one area (south of Canton), the Chinese armies achieved considerable success. Their major victory was achieved on the Hunan-Kiangsi front where a decisive defeat was administered to the Japanese forces converging on Changsha from the north and northeast. As what seem to be fairly reliable reports of this action are divulged it gradually appears that the Japanese were completely out-maneuvered, and tricked by the Chinese into making a swift and over-extended advance without any regard to their flanks or rear.

At the end of September when the fall of Changsha appeared imminent, the Chungking government was loudly proclaiming that the loss of Changsha and the Hunan-Kiangsi region north of the Nanchang-Changsha railroad would be of no great strategic importance to them, and that the Japanese would be no better situated by a victory in this region. (At the time this sounded suspiciously like "whistling in the dark" but it may have been part of the plan to deceive the Japanese into thinking that they could safely rush headlong into the city). At the same time there were not infrequent allusions being made in the Japanese press that perhaps this was the "last campaign"; that with the fall of Changsha and the "annihilation" of the Chinese army in the Hunan-Kiangsi area, the relegation of the Chinese government to the status of a "provincial regime" would be completed, and Japan could proceed to consolidate her position in the occupied areas. The capture of Changsha was also to give considerable impetus to the establishment of a Central Government under Wang Ching-wei.

As soon as the Japanese forces were driven back, however, the area, according to the Chinese reports, became one of the utmost strategical importance, and the victory gained there the turning point in the whole Sino-Japanese struggle. On the other hand, the Japanese suddenly decided that Changsha was of no significance and that they never meant to capture it anyway.

At the present, it is entirely impossible to assess the true value of this victory to the Chinese cause or the gravity of the blow which the defeat gave to Japanese aspirations. It would, of course, be overoptimistic to regard it as the turning point in the conflict, but there can be no doubt of the fact that it was a considerable blow to the Japanese plans in the Yangtze Valley area. The Chinese morale has been visibly strengthened - a development which was sorely needed.

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RECEIVED

F/FG

On the other hand, it may reasonably be assumed that their defeat took some toll of Japanese enthusiasm, both at home and in the field.

In Shansi, in northern Hupeh and along the Kowloon border, the Chinese also registered some local success.

The Chinese air force showed signs of rejuvenation by conducting raids on the Hankow airport on 4 and 15 October. Losses during the first raid consisted in a small amount of gasoline but in the second raid six Japanese bombers and considerable quantities of gasoline and other military stores were destroyed. It has been reported from a fairly reliable source that these raids were conducted by Soviet aviators. On 23 October, thirty-three Japanese bombers arrived in Shanghai. In view of the success of the recent raid on the Hankow air base, it is not unlikely that they came from there.

Japanese air raids on southwestern cities continued. Chengtu and other cities in north Szechwan were twice raided by planes from a Shansi base.

From 0800, 6 October, the port of Kuaotow (in Chekiang, about thirty miles south of Wenchow) was added to the list of ports closed by proclamation of the Japanese Naval Authorities. All Third Power vessels, including men-of-war, were requested to evacuate Kuaotow Bay by the above hour, after which time the harbor was to be closed by "obstacles and dangerous objects" laid on a line running north and south through Pipashan.

## 2. INTERNATIONAL

At times during the month the problem of the administrative and policing rights on the extra-Settlements Road in the western area of Shanghai reached an extremely acute stage, but at the month's end the tension had been considerably lessened by the prospects of a suitable modus vivendi being reached through discussion between the Chairman of the Municipal Council and 'Mayor' Fu of the Municipality of Greater Shanghai.

Major developments in the situation were as follows: On 2 October, the Commander of the Japanese Gendarmerie, Major General S. Miura, addressed a letter to Major General F. K. Simmons, Commanding British Military Forces in Shanghai, stating that it was his intention to rigidly uphold the Shanghai Special City government in their refusal to allow the Shanghai Municipal Council's claim of "long established custom" or "fait accompli" to justify the continued activities of the Shanghai Municipal Police on the extra-Settlement Roads. Major General Miura further pointed out to the British Sector Commander the delicateness of the situation and the trouble that would arise should the Sector Defense Force attempt to interfere with the police of the Special Municipality of Shanghai, and voiced the rather surprising hope that in the "maintenance of law and order" in the western area, "The British Forces will act in such a way as to afford both direct and indirect assistance to the City Government Police."

On 4 October, Mr. Franklin, the Chairman of the Shanghai Municipal Council, sent a letter to the British Consul General in which he pointed out the extreme gravity of the situation in the western area and asked the British Consul General to request Major General Simmons to reconsider the stand he had previously (18 September) taken, namely, "that in the event of a serious clash between the Municipal Police and the Ta Tao personnel, controlled or supported by Japanese Gendarme, he would not be able to use force in support of the (Municipal) police except in cases where British lives were in danger."

On 5 October, the British Consul General communicated with the American Consul General on the subject of Mr. Franklin's letter, stating, *inter alia*, that he had been requested by the Commander of the British Military Forces in Shanghai "to inform you that he is prepared to extend his assistance to the Shanghai Municipal Police on condition that the American forces in Shanghai will join in patrolling the western district and in taking combined action in resistance to encroachment either by the Japanese or by the authorities sponsored by them." The British Consul General concluded with the request on behalf of Major General Simmons that the American forces be authorized to take such action. At the same time the British Consul General forwarded a copy of Major General Simmons' negative reply to Mr. Franklin's request that he reconsider his attitude concerning the supporting of the Shanghai Municipal Police. Major General Simmons stated that his orders as to the extent to which he was empowered to support the Municipal Police were received direct from the Army Council, and that although he had recently applied for extended powers in this connection, the War Office had refused to grant them.

For reasons well known to the Department, the British request for a joint patrol of their defense sector was rejected. In view of the fact that the British Forces had by no means exhausted their own potentialities in handling the situation, the request was a very surprising one indeed, although their desire to get us into the "front line trenches" was, of course, understandable.

As the situation in the western area continued to be tense, and in view of the fact that some time had elapsed since there had been any committee meeting on the revision of the Settlement Defense Plan and the danger existed that some elements of the Japanese military might use the delay as an excuse for direct action, it seemed expedient to urge the British military to agree to a convocation of the subcommittee in order to present the American and British replies. Accordingly, on 11 October, the Commander in Chief, Asiatic Fleet, caused the Commanding Officer, Fourth Marines, to point out to the British Sector Commander the dangers inherent in further delay, and the advisability of an early reply to the Japanese proposals.

On 11 October, the Chairman of the Municipal Council sent a formal communication to the Senior Consul (the Italian Consul General) requesting the support of the Consular Body in the dispute. The Senior Consul circulated the letter among his colleagues and called

a meeting of the Consular Body for 19 October. The Japanese Consul General, however, objected to the meeting on the grounds that the Shanghai Municipal Council had already requested him to use his good offices in the controversy and that a meeting of the Consular Body would be "detrimental for the success of the negotiations." Whereupon the Senior Consul, without further consultation with his colleagues, cancelled the scheduled meeting.

On 20 October, there occurred the incident at the intersection of Yu Yuen and Edinburgh Roads in which a Sikh traffic policeman was wounded, and a Chinese Shanghai Municipal policeman was killed by a group of gunmen who came from and fled into, the enclaves in that area. The Japanese were quick to accuse the Chungking government of instigating the shooting in order to obtain Third Power intervention in the western area dispute. The fact that there were four Chinese Shanghai Municipal constables who were supposed to be guarding the Sikh, none of whom took any action, seemed to lend some credence to this claim, but the most widely held opinion was that the police of the Municipality of Greater Shanghai were the real culprits.

As a sequel to this incident, the Chairman of the Shanghai Municipal Council addressed a formal communication to the American Consul General appealing to the American government for the protection of the lives and property of the Americans living in the western area; and, after the clash between the Shanghai Municipal Police and the Puppet Police on the 22nd, the local American Association sent a telegram to the Secretary of State requesting "that the United States government take appropriate steps to support the Shanghai Municipal Council in maintaining their rights in the extra-Settlement area and that such support be made a matter of public information."

On 26 October, developments took a sudden and unexpected turn for the better, principally due to a change of attitude on the part of the Senior Consul, the Italian Consul General, who heretofore had more or less consistently upheld the Japanese in their support of 'Mayor' Fu vis-a-vis the Municipal Council. At the Senior Consul's suggestion, he and Chairman Franklin called on the Japanese Consul General, who accompanied them to see 'Mayor' Fu. As a result of this conference it was agreed that the Municipal Council would submit to 'Mayor' Fu a number of plans for arriving at a modus vivendi on the policing of the western area from which the 'Mayor' would pick the one he desired put in effect. After the plan had been chosen representatives of the two police organizations would meet to work out details. The plan finally adopted was to be considered by both sides as merely a temporary working arrangement to obtain until such a time as the Land Regulations, the future status of the area, etc., could be adjusted by negotiations between the powers and a recognized government of China.

The following day the American and British members of the Council met and drafted the following plans for submittal: (1) restoration of the old arrangement under which the Shanghai Municipal Police would police the extra-Settlement roads and the "City" police would police the enclaves; and, (2) provision for joint policing of the Roads, with a joint police board with right of appeal to the 'Mayor' and the Chairman of the Municipal Council jointly.

At first there was some objection on the part of certain British members of the Council to entrusting Mr. Franklin with any negotiations with 'Mayor' Fu, the Japanese Consul General, et al, but subsequently this was amicably adjusted.

There were no further developments before the end of the month but the chances appeared good that a generally satisfactory working arrangement might be arrived at. There can be no doubt, however, of the fact that the Shanghai Municipal Council has lost ground in its control of the western area - ground which will be exceedingly difficult, if not impossible, to regain. Nor is it likely that the Japanese will consider as binding, after the establishment of a "Central" regime and Japan's recognition thereof, any arrangement regarding the administration of this area which may be had at the present time.

On 17 October an agreement was reached in the Kulangsu controversy. Its chief points are as follows:

(1) The Kulangsu Municipal Police and the Japanese Consular Police are to cooperate fully in the suppression of anti-Japanese activities in the International Settlement.

(2) The Japanese Sub-Inspector of Police to be promoted to the post of Inspector and to rank with but after the present Russian Inspector. His duties to be assistant to the Chief Police Officer, with special reference to matters relating to cooperation between the Japanese Consular Police and the Municipal Police.

(3) A Japanese police sergeant will be appointed for duty with the Municipal Police.

(4) The appointment of additional Formosans as patrolmen will be given consideration when the financial condition of the Municipal budget permits.

(5) The questions of enfranchisement of Formosans living in Kulangsu and the appointment by the puppet government of Chinese nationals to fill present vacancies in the Kulangsu Municipal Council is postponed indefinitely.

(6) The passage of fuel and food junks between Kulangsu and Amoy and the mainland will be permitted. Not more than forty junks, licensed by the Japanese authorities, will be permitted to engage in this trade. Junks may ply directly between

Kulangsu and the mainland, but are subject to search by the Kulangsu Municipal Police and the Japanese Consul Police upon arrival at Kulangsu. Likewise, the restrictions on traffic between Kulangsu and Amoy have been lifted.

Following the signing of this agreement the senior naval officer present, Rear-Admiral G. Miyata, I.J.N., Commanding Amoy Naval Base, and Commander H. A. Sailor, U.S.N., Commanding, U.S.S. ASHEVILLE conferred and agreed upon the withdrawal of their respective landing parties. This withdrawal was effected without incident on 18 October.

Ambassador Grew's now justly famous speech before the Japanese-American Society has apparently awakened many Japanese officials to the realization that perhaps the U. S. can not with impunity be kicked round indefinitely. It is now apparent that most Japanese officialdom are on the horns of the dilemma represented by the questions: "(1) Shall we go ahead just as planned with the 'New Order in East Asia' and accept whatever risk is implied in the opposition of the U.S.?" or, "(2) Shall we temper the plan to just the point where the U. S. will endure it with nothing more than a few objections"?

It seems that as yet the official mind is not made up; but it would be over-optimistic to believe that without the exertion of a great deal more pressure, the U. S. will get any better deal than would be implied by an affirmative answer to question (2) above.

### 3. POLITICAL

Influenced somewhat by the implications of Mr. Grew's speech, the Japanese are making every effort to get the Wang Ching-wei organization in working order and set up to function as an "all-China" government with which they can deal, and which they can play off against the Third Powers. Early in November the heads of the Reformed and Provisional Governments and of Menchiang will confer with Wang in Tsingtao. The best reports indicate that the Japanese hope to have everything in working order by the end of the year at the latest.

(Signed) P. L. Carroll,  
Chief of Staff.



DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quastgen NARS, Date 12-18-75

COPY

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DOD Dir. E.O. 11652, Sept 27, 1958  
Exempt by Mark Kelly date 4/25/64

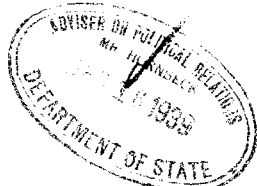
UNITED STATES ASIATIC FLEET  
U.S.S. AUGUSTA (Flagship) 16/aw

A9-5/R-0698  
~~SECRET~~

Shanghai, China,  
1 November, 1939.

From: Commander in Chief, Asiatic Fleet.  
To: The Chief of Naval Operations.

SUBJECT: News Letter for Month of October, 1939.



1. MILITARY

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Department of State letter, August 10, 1972  
By Milton O. Gustafson NARS, Date 12-18-75

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Influenced somewhat by the implications of Mr. Grew's speech, the Japanese are making every effort to get the Wang Ching-wei organization in working order and set up to function as an "all-China" government with which they can deal, and which they can play off against the Third Powers. Early in November the heads of the Reformed and Provisional Governments and of Menchiang will confer with Wang in Tsingtao. The best reports indicate that the Japanese hope to have everything in working order by the end of the year at the latest.

(Signed) P. L. Carroll,  
Chief of Staff.

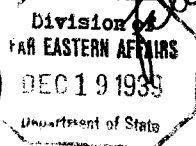
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quate NARS, Date 12-18-75

DEPARTMENT OF STATE  
THE UNDER SECRETARY *m. r. h.*

December 8, 1939

PA/H - Dr. Hornbeck:

Admiral Stark has sent me this confidential letter this morning. I send it to you for your information and for that of Mr. Hamilton.



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DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
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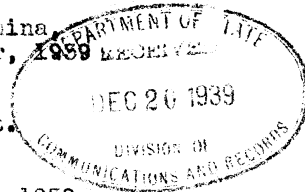
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UNITED STATES ASIATIC FLEET  
USS AUGUSTA (Flagship)

RESTRICTED

Shanghai, China  
1 November, 1939



From: Commander in Chief, Asiatic Fleet.  
To: The Chief of Naval Operations.  
SUBJECT: News Letter for Month of October, 1939.

1. MILITARY

During the month under review, the fighting on all fronts was more intensive than usual and, except in one area (south of Canton), the Chinese armies achieved considerable success. Their major victory was achieved on the Hunan-Kiangsi front where a decisive defeat was administered to the Japanese forces converging on Changsha from the north and northeast. As what seem to be fairly reliable reports of this action are divulged it gradually appears that the Japanese were completely out-manuevered, and tricked by the Chinese into making a swift and over-extended advance without any regard to their flanks or rear.

At the end of September when the fall of Changsha appeared imminent, the Chungking government was loudly proclaiming that the loss of Changsha and the Hunan-Kiangsi region north of the Nanchang-Changsha railroad would be of no great strategic importance to them, and that the Japanese would be no better situated by a victory in this region. (At the time this sounded suspiciously like "whistling in the dark" but it may have been part of the plan to deceive the Japanese into thinking that they could safely rush headlong into the city). At the same time there were not infrequent allusions being made in the Japanese press that perhaps this was the "last campaign"; that with the fall of Changsha and the "annihilation" of the Chinese army in the Hunan-Kiangsi area, the relegation of the Chungking government to the status of a "Provincial Regime" would be completed, and Japan could proceed to consolidate her position in the occupied areas. The capture of Changsha was also to give considerable impetus to the establishment of a Central Government under Wang Ching-wel.

As soon as the Japanese forces were driven back, however, the area, according to the Chinese reports, became one of the utmost strategical importance, and the victory gained there the turning point in the whole Sino-Japanese struggle. On the other hand, the Japanese suddenly decided that Changsha was of no significance and that they never meant to capture it anyway.

At the present, it is entirely impossible to assess the true value of this victory to the Chinese cause or the gravity of the blow which the defeat gave to Japanese aspirations. It would,



SUBJECT: News Letter for Month of October, 1939

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of course, be overoptimistic to regard it as the turning point in the conflict, but there can be no doubt of the fact that it was a considerable blow to the Japanese plans in the Yangtze Valley area. The Chinese morale has been visibly strengthened - a development which was sorely needed. On the other hand, it may reasonably be assumed that their defeat took some toll of Japanese enthusiasm, both at home and in the field.

In Shansi, in northern Hupeh and along the Kow loon border, the Chinese also registered some local success.

The Chinese air force showed signs of rejuvenation by conducting raids on the Hankow airport on 4 and 15 October. Losses during the first raid consisted in a small amount of gasoline but in the second raid six Japanese bombers and considerable quantities of gasoline and other military stores were destroyed. It has been reported from a fairly reliable source that these raids were conducted by Soviet aviators. On 23 October, thirty-three Japanese bombers arrived in Shanghai. In view of the success of the recent raid on the Hankow air base, it is not unlikely that they came from there.

Japanese air raids on southwestern cities continued. Chengtu and other cities in north Szechwan were twice raided by planes from a Shansi base.

From 0800, 6 October, the port of Kuaotow (in Chekiang, about thirty miles south of Wenchow) was added to the list of ports closed by proclamation of the Japanese Naval Authorities. All Third Power vessels, including men-of-war, were requested to evacuate Kuaotow Bay by the above hour, after which time the harbor was to be closed by "obstacles and dangerous objects" laid on a line running north and south through Pipashan.

## 2. INTERNATIONAL

At times during the month the problem of the administrative and policing rights on the extra-Settlements Road in the western area of Shanghai reached an extremely acute stage, but at the month's end the tension had been considerably lessened by the prospects of a suitable modus vivendi being reached through discussion between the Chairman of the Municipal Council and 'Mayor' Fu of the Municipality of Greater Shanghai.

Major developments in the situation were as follows: On 2 October, the Commander of the Japanese Gendarmerie, Major General S. Miura, addressed a letter to Major General F. K. Simmons, Commanding British Military Forces in Shanghai, stating that it was his intention to rigidly uphold the Shanghai Special City government in their refusal to allow the Shanghai Municipal Council's claim of "long established custom" or "fait accompli" to justify the continued activities of the

SUBJECT: News Letter for Month of October, 1939.  
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Shanghai Municipal Police on the extra-Settlement Roads. Major General Miura further pointed out to the British Sector Commander the delicateness of the situation and the trouble that would arise should the Sector Defense Force attempt to interfere with the police of the Special Municipality of Shanghai, and voiced the rather surprising hope that in the "maintenance of law and order" in the western area, "The British Forces will act in such a way as to afford both direct and indirect assistance to the City Government Police."

On 4 October, Mr. Franklin, the Chairman of the Shanghai Municipal Council, sent a letter to the British Consul General in which he pointed out the extreme gravity of the situation in the western area and asked the British Consul General to request Major General Simmons to reconsider the stand he had previously (18 September) taken, namely, "that in the event of a serious clash between the Municipal Police and the Ta Tao personnel, controlled or supported by Japanese Gendarme, he would not be able to use force in support of the (Municipal) police except in cases where British lives were in danger."

On 5 October, the British Consul General communicated with the American Consul General on the subject of Mr. Franklin's letter, stating, *inter alia*, that he had been requested by the Commander of the British Military Forces in Shanghai "to inform you that he is prepared to extend his assistance to the Shanghai Municipal Police on condition that the American forces in Shanghai will join in patrolling the western district and in taking combined action in resistance to encroachment either by the Japanese or by the authorities sponsored by them." The British Consul General concluded with the request on behalf of Major General Simmons that the American forces be authorized to take such action. At the same time the British Consul General forwarded a copy of Major General Simmons's negative reply to Mr. Franklin's request that he reconsider his attitude concerning the supporting of the Shanghai Municipal Police. Major General Simmons stated that his orders as to the extent to which he was empowered to support the Municipal Police were received direct from the Army Council, and that although he had recently applied for extended powers in this connection, the War Office had refused to grant them.

For reasons well known to the Department, the British request for a joint patrol of their defense sector was rejected. In view of the fact that the British Forces had by no means exhausted their own potentialities in handling the situation, the request was a very surprising one indeed, although their desire to get us into the "front line trenches" was, of course, understandable.

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By Milton D. Gustafson NARS, Date 12-18-75

SUBJECT: News Letter for Month of October 1939.  
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SUBJECT: News Letter for Month of October, 1939.

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SUBJECT: News Letter for Month of October, 1939.

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/s/ P. L. CARROLL  
Chief of Staff.

Copy to:  
ONI  
AmConGen Shanghai  
Alusna Peiping  
Alusna Tokyo  
CO AUGUSTA

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Department of State letter, August 10, 1972  
By Milton D. Hunter NARS, Date 12-18-75

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

December 22, 1939.

Reference attached semi-monthly news letter, dated November 16, from the Commander in Chief of the U.S. Asiatic Fleet.

The letter under reference need not be read. The only new information that it presents is that the Japanese attempted unsuccessfully to prevent or postpone the visit of the CINC to Hanking during the period from Nov. 3 to November 7.

*WAA*  
Adams

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

*Nav Dept* *FE*  
*DCR*

C O P Y

UNITED STATES ASIATIC FLEET  
U.S.S. AUGUSTA (Flagship)

Division of  
16/gwt EASTERN AFFAIRS  
DEC 22 1939  
Department of State

Refer to  
A9-5/(R-0714)

DECLASSIFIED  
DOD Dir. E.O. 12958, Sept 27, 1953  
NSD by Mark Eddy date 4/25/66

Shanghai, China  
16 November, 1939.

From: The Commander in Chief, U. S. Asiatic Fleet.  
To: The Chief of Naval Operations.

SUBJECT: Semi-monthly News Letter for period 1-15 November, 1939.

- ENCLOSURE: (A) Mayor of Greater Shanghai's Suggestions to settle the Extra-Roads Questions.  
(B) Reply of Staff Officers of the Fourth Marines to the Proposals made by the Japanese Forces for a Revision of the Shanghai Defense Plan, 1931, Revised in 1934.  
(C) Reply of British Defense Sector Commander to Japanese Proposals for a Revision of the Shanghai Defense Plan, 1931, Revised in 1934.

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1. MILITARY

The sole military activity of any particular significance began in Southwestern Kwangtung on the morning of 15 November when the Japanese effected a landing near Pakhoi, and, later in the day, landed another force near Fancheng. This landing was supported by heavy aerial bombings and fire from surface ships. Lack of accurate information as to the forces landed as well as the Chinese forces opposing them, make it impossible to do more than speculate on the Japanese objective.

The city of Pakhoi, although nominally one of the few remaining ports of "free" China, has for some time past, been shorn of practically all economic importance by the destruction by the Chinese of all roads leading from the city into the interior in anticipation of a Japanese attack. The presence of the Japanese on Waichow and Hainan islands has constituted an ever-present menace. From these considerations, it seems unlikely that the principal objective is merely to increase the economic pressure on the Chungking Government by a tightening of the blockade.

More likely objectives seem to be:

- (a) The cutting of the Kwangsi road from Dong Dang to Nanning, over which considerable supplies have been moving.

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(b) To have some successful military operation to accompany the establishment of the New Central Government.

2. INTERNATIONAL

There were but few developments in the struggle between the Shanghai Municipal Council and 'Mayor' Fu for the control of the extra-Settlement roads in the Western Area, but these were not without significance.

'Mayor' Fu's reply (Enclosure "A") to the proposals forwarded by the SMC (see news letter for October) showed how wide the differences between the two viewpoints are, and considerably diminished the hopes that a working agreement might soon be attained.

A somewhat stiffer attitude on the part of the British military in support of the Shanghai Municipal Police in their Western Area defense sector served to inject a more hopeful note into the situation in so far as the United States position is concerned. The stiffening of the British military was demonstrated by the arrest, by an East Surrey patrol, on 11 November, of a band of sixteen armed and uniformed (green) Chinese who were attempting to exercise police functions in the Western area. Due to the fact that no one has put in a claim on behalf of the arrested men it is not known under what authority or on behalf of whom they were operating. They are variously reported as being hirelings of Wang Ching-wei, or of the Reformed Government.

The U. S. and British sub-committees submitted, on 2 and 6 November, respectively, their replies to the Japanese proposals for the revision of the Settlement Defense Plan (Enclosure "B" and "C"). (The Italian reply had been submitted some time previously. Although the details of this reply are not known, it has been established that it gave, in general, blanket approval of the Japanese proposals.) A meeting of the sub-committee was held on 14 November. At this meeting the U. S. representatives, in accordance with instructions, demurred in further discussion, at the present time, of any revision of the present defense plan. The British representative stated that the British reply had been formulated by His Majesty's Government and he was therefore not empowered to discuss the matter further.

The announced withdrawal of the major portion of the British and French forces from North China, and of the French from Shanghai, was, rightly or wrongly, acclaimed in the Japanese press as a concession to Japan, and for the same reason was denounced in some sections of the Chinese press. Whatever the truth of the above allegation, it is believed that the move was made at a somewhat inauspicious time from the viewpoint of Occidental interests in China.

The Japanese move for appeasement (on the surface) of the U. S. in China continued. It appears that there is a genuine attempt being made to prevent further mistreatment, or discourteous treatment, of U. S. Nationals, and to establish friendlier personal relationships between the Japanese and Americans. It is not believed, however, that present Japanese intentions in the matter of "appeasement" go much beyond that point.

### 3. POLITICAL

The Sixth Plenary Session of the Central Executive Committee of the Kuomintang met in Chungking on 11 November. Chief business of the session was the consolidation of efforts to enable continued resistance to Japan.

The meeting of the representatives of the Reformed and Provisional Governments, and of Menchiang, scheduled for 10 November at Tsingtao, to discuss the formation of the New Central Government has been postponed until the end of the month - indicating difficulties are still being encountered in the furtherance of this scheme. The Japanese press, however, and occasionally, Japanese officials, still refer hopefully to the establishment of a Wang Ching-wei government by the end of the year. (Reports have been heard of Japanese intentions to sign a pact of non-aggression and mutual-assistance with the new regime, thus legalizing the continued use of Japanese troops against the Chiang Kai-shek government.)

### 4. MISCELLANEOUS

The Commander in Chief, Asiatic Fleet, in the U.S.S. ISABEL made a "familiarization" trip to Nanking and return between 3-7 November. On 2 November the Japanese Naval Attache's Office sent word that they feared some embarrassment to the Commander in Chief, Asiatic Fleet, might arise from his presence in Nanking on 4-5 November due to certain traffic difficulties that might be encountered, and intimated also that General Nishio, the Commander in Chief of all Japanese forces in China, wished to exchange calls but that he could not do so until 6 November. The trip was made on schedule, since it was known that the Japanese misgivings were due simply to the presence in Nanking of Prince Kanin, the Chief of the Army General Staff; and except for one occasion no difficulty was experienced in getting about the city. The necessary information on which the Japanese Army officials could initiate an exchange of calls, if they so desired, was transmitted through the American Consul, but no move was made on the Japanese side.

The following changes recently occurred in the local Japanese military and naval commands:

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By Milton D. Quate NARS, Date 12-18-75

Lieut. Gen. Susumu Fujita assumed command of Japanese forces in Shanghai Area (a new post). (Exchanged calls with CinC AF.)

Major General S. Sakurai relieved of command of Shanghai garrison by Major General Hasegawa. Major General Sakurai assumed duties of Chief of Staff to Lieut. Gen. Fujita.

Rear Admiral Seiichi Iwamura relieved Vice Admiral Nomura as Naval Attache. (Rear Admiral Iwamura appointed Vice Admiral about 15 November.)

Rear Admiral S. Inoue relieved Rear Admiral J. Kusaka as Chief of Staff, China Seas Fleet (Former appointed Vice Admiral about 15 November.)

Rear Admiral Nakamura relieved Captain Tokunaga as sub-Chief of Staff, China Seas Fleet.

Rear Admiral Moriharu Takeda will shortly relieve Rear Admiral Shishido as commander of the Japanese Naval Landing Party.

Vice Admiral K. Oikawa, Commander in Chief, China Seas Fleet, appointed Admiral about 15 November.

(Signed) Thos. C. Hart.

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C O P Y

DECLASSIFIED  
DCD Dir. 5500.9, Sept 27, 1953  
RWD by Mark E. Kelly Date 4/25/68

THE CITY GOVERNMENT OF GREATER SHANGHAI MAYOR'S OFFICE

TRANSLATION

SUGGESTIONS TO SETTLE THE EXTRA ROADS QUESTION

Fundamental Principles

1. The Shanghai Municipal Council should recognize that the executive and police rights in the western area are vested in the City Government of Greater Shanghai.
2. The City Government recognizes the ownership of all works in the Western Area which have been built by the Shanghai Municipal Council.
3. Foreign residents and properties in the Western Area are to be appropriately safeguarded by the City Government.

QUESTION OF POLICE FORCE

1. Under the City Government of Greater Shanghai there shall be established a Special Police District and a Special Police Force shall be formed in the Western Area with some necessary Branch-stations and Sub-stations.
2. A part of police officers in this Special Police Force can be recommended by the Shanghai Municipal Council and the Japanese side but to be appointed by the City Government.
3. The Branch Station officer of this District where there are many foreign residents and properties, can be recommended by the Shanghai Municipal Council and Japanese side but be appointed by the City Government.
4. Liaison officers of the Shanghai Municipal Council in the police force of the Special Police District will be temporary admitted but they have no rights to interfere with any police affairs.
5. The Special Police Force of this District will be in temporary cooperation with the Japanese Police Force.

QUESTION OF EXECUTIVE AFFAIRS

1. Both the questions of executive affairs and police force to be settled at the same time.
2. There shall be established a Special Office by the City Government in the Western Area to administrate all the executive affairs.
3. A part of the staffs of this Office can be recommended by the Shanghai Municipal Council and Japanese side but to be appointed by the City Government.
4. Liaison Officers of the Shanghai Municipal Council in this office can be temporary admitted but they have no rights to interfere with any executive affairs.
5. Any taxes collected for the defraying the expenses of the works of the Shanghai Municipal Council will be credited to the Council.
6. The City Government may at any time propose to buy over any works in the Western Area which have been built by the Shanghai Municipal

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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

- Council. The proposal once suggested by the City Government should be accepted by the Shanghai Municipal Council.
7. The running expenditures of the Special Office and the Special Police Force are to be paid out from the amount of the taxes collected from the people residing in the western area.

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ENCLOSURE "B"

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By Milton D. Quate NARS, Date 12-18-75

C O P Y

REPLY OF STAFF OFFICERS OF THE FOURTH MARINES TO THE PROPOSALS  
MADE BY THE JAPANESE FORCES FOR A REVISION OF THE SHANGHAI  
DEFENSE PLAN, 1934, REVISED IN 1934.

At a meeting of the sub-committee of the Defense Council which was held on 22 September, 1939, certain proposals for a revision of the existing International Defense Plan were submitted by the Japanese members of the sub-committee. The proposals were submitted at this meeting for the purpose of allowing the members present an opportunity of studying them and submitting their recommendations thereto at a later meeting.

U. S.

The Staff Officers of the Fourth/Marines have made a careful study of these proposals and of their significance. In reaching our conclusions, we considered very carefully certain aspects of the general situation which we believe essential in order to reach a fair appraisal of the proposed changes.

We would like first to comment briefly on the International Defense Plan -- its origin, its scope, and some of its provisions. The Defense Plan grew out of the recognition on the part of the commanders of the Defense Forces of Shanghai of the need for collective action in providing protection for the lives and property of their nationals which would be more effective in times of emergency than the individual commander acting independently could provide. It was with the belief that his own task would be more efficiently accomplished, that the commander of any one force of the Defense Forces agreed to abide by the provisions laid down in the Defense Plan. In Part II, paragraph #1, of the Defense Plan, under the heading "SCOPE", it is stated as follows:

"The combined plan is primarily intended to deal with an external danger or grave internal disturbance when municipal forces, cannot, without assistance, give adequate protection of foreign lives and property."  
This statement is followed by an enumeration of various incidents which it was considered might contribute to a general disturbance.

There is, underlying the mere recitation of these possible incidents cited above, a broad underlying principle which we do not believe has been given prominence by the Japanese in suggesting changes in the present Defense Plan. We refer to the "maintenance of the neutrality of the International Settlement and its vicinity, in its relation to the forces of contending parties outside of Shanghai." That ~~xxxx~~ it is constantly in mind by commanders of Defense Forces is adequately attested by the support rendered local civilian authorities in suppressing activities within the Settlement and the vicinity of any individuals or groups favoring either of

the contending parties in the present Sino-Japanese hostilities. In the course of the present conflict between the Japanese and Chinese armed forces, many instances may be cited of Japanese protests against anti-Japanese or pro-Chinese activities alleged to be occurring within the city of Shanghai, the Japanese thereby placing themselves on record as recognizing and endorsing this principle of neutrality. We believe that no one will deny the sincerity of the efforts of the Defense Force Commanders in supporting local civil authorities in carrying out this feature of their responsibilities.

The immediate occasion for the occupation of the Western Extra-Settlement area by foreign defense forces was the outbreak of hostilities between Japanese-Chinese Forces in the vicinity of Shanghai. The occupation of this area by the Defense Forces met with the approval of all defense force commanders and it was recognized that such a move was not only a tactical necessity, but essential, if the safety of foreign lives was to be guaranteed and the neutrality of the area to be preserved. The action was recognized by defense force commanders as well within the provisions of the defense plan.

It is true that certain aspects of the situation existing at that time have changed; namely, that there are at present no organized armed Chinese Forces likely to threaten the integrity of the Settlement and vicinity from without, but hostilities between the Japanese-Chinese forces still continue and the presence in the Western Extra-Settlement area of one of the combatant forces, besides being liable to excite disturbances and hence prove dangerous to the security of the foreign nationals, would be a direct violation of that fundamental principle underlying the defense scheme which we have mentioned; namely, "the maintenance of the neutrality of the International Settlement and its vicinity."

Although, as we have stated, the recognition of the need of collective action was responsible for the adoption of the Defense Plan, the right and duty of any defense force commander in employing independently his forces for the protection of his nationals was also recognized and specifically provided for in paragraph 3 (d) of the Defense Plan which reads as follows:

"No proceedings of the Defense Committee shall prejudice the right of any garrison commander to communicate and consult with his national consular and naval authorities present, nor prevent his independent action when he considers such necessary to conform with orders from higher authority. In case of independent action, he will, however, at once, inform the chairman of the defense committee."

We believe that this reservation should be borne in mind at all times, for the success of the Defense Plan depends upon a fair and just appreciation by the commander of one force of the responsibilities of the commander of another force and that any effort at revision of the Defense Scheme which fails to take cognizance of the above feature is certain to meet with opposition, create ill-will, and endanger the life of the plan itself.

In our remarks so far, we have endeavored to make clear our conception of the underlying principles, purposes, and limitations of the Defense Plan; namely, the protection of lives and property of foreign nationals and the maintenance of neutrality by collective action in the International Settlement and its vicinity and the right of foreign defense force commanders to insure these aims by independent action when and if, in his opinion, such independent action is demanded.

Although, as has been recognized, the present defense plan has been in existence for some time, it has been modified from time to time to meet changing conditions and it appears to us that it has withstood satisfactorily the crucial tests it has had to face during the trying times of the past two years.

At the time the Japanese proposals were presented to the sub-committee, the question of the present conditions in the International Settlement and vicinity as regards law and order were discussed by Commander Kurihara.

In the Japanese view of the present situation, a marked improvement has been shown in areas surrounding the International Settlement and the French Concession due to the occupation by Japanese Forces, and the increase in numbers and efficiency of the Police of the Special City Government of Shanghai. On the contrary, there is still great need of strict measures of precaution within the Settlement and Concession proper, due to the presence of communistic groups and terroristic gangs.

With this viewpoint of the Japanese we do not find ourselves in agreement.

It is our opinion that great improvement has been made in the enforcement of law and order within the boundaries of the Settlement and Concession proper during the past twelve months.

Speaking with first hand knowledge, of the American Sector only, we must invite the attention of the Japanese to the extensive and effective means of cooperation established and maintained between our own troops and the Shanghai



Municipal Police in the maintenance of law and order, and the total lack of incidents and disorders upon repeated occasions during the past year, when they might reasonably have been expected. Furthermore, a fact of which you are all aware, the American Sector "C" contains extensive Japanese interests, which might be expected under present conditions to become the target of lawless elements.

In fact, the improvements in conditions in Sector "C" have been so marked during the past year that we have been able to materially reduce our outposts and patrols within the Sector.

On the other hand, in some localities in the Extra-Settlement areas, lawlessness and vice are rampant and bands of unorganized armed men are obviously terrorizing that neighborhood.

This deplorable state of affairs has been caused by the demand for the use of the inexperienced police of the Shanghai City Government, who obstruct and neutralize the efforts of the Foreign Defense Forces and the experienced Shanghai Municipal Police in the maintenance of law and order.

It is our studied belief that conditions in the Extra-Settlement areas cannot be compared to the condition of law and order prevailing within the confines of the International Settlement proper, nor do we believe that the time has come, nor is likely to come, in the near future, when the necessity for the functions of the Shanghai Municipal Police and the foreign Defense Forces in the Extra-Settlement area cease to exist.

In view of the fact that all members of the sub-committee are familiar with the proposals of the Japanese, for revision of the Defense Plan of Shanghai, it is not our intention to enumerate them, but rather to proceed with a presentation of our views concerning the consequences if the proposed changes in the present Defense Plan became operative.

The underlying principle of the Japanese proposals is the restriction of the activities of the foreign defense forces to the limits of the International Settlement proper, which would result in the withdrawal of the British and Italian Forces from the sectors which they now occupy, and the reoccupation of those sectors by Japanese armed forces supporting the Chinese Police of the Shanghai City Government.

We need not comment upon the responsibility of the Commanding Officer of the American Forces in Shanghai for the protection of lives and property of American Nationals. The Western Area comprising the present Sector "D" is well known to include one of the most important residential sections in the city of Shanghai, and is the home of over 500 American Nationals including their property and other investments.

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Department of State letter, August 10, 1972  
By Milton O. Quastler NARS, Date 12-18-75

Before agreeing to any proposals for a change in the existing provisions for the safety of American Nationals in those areas, the Commanding Officer of the American Forces must first be assured that such change will guarantee a continuance of adequate protection.

We regret to state that we cannot find such assurance in the change contemplated. The Japanese contention is that if Japanese Forces are in occupation of this area, there will be no change from the policy now in effect for the maintenance of law and order, and that they will hold themselves responsible for the protection of lives and interests of third power nationals. It does not seem out of order in this connection, to call attention of the very serious anti-foreign movements which have occurred in the immediate past and continue to recur in many areas of China under occupation by Japanese Forces.

In connection with policing arrangements in the Western Extra-Settlement area; while the legal aspects of this question are admittedly beyond the scope of this sub-committee, the actual chaotic conditions cannot be condoned. The situation, as we find it today, has developed into an international scandal. We believe it is fraught with great potential danger affecting the safety of lives and property of American Nationals residing there. The Japanese military authorities being on record to the effect that while they are advising and will support the Shanghai City Government Police, yet, they disclaim all responsibility for their acts -- such conditions appear to us as incongruous. XXXX

The Police Force of Shanghai City Government is in its infancy, and judging by the lawlessness and vice running rampant throughout areas in which this police force is assigned duty; there is certainly no conviction that the lives and property of the foreign nationals in their areas will receive adequate protection from their hands.

We are of the firm conviction that the Japanese military by underwriting such an unproven police force are directly contributing to the unrest existing in their assigned duty area and must assume responsibility for all unethical incidents which must result from such arrangement.

It would indeed be unfortunate if a member of the Defense Forces in fulfilling its duties under the terms of the Defense Scheme, supporting the Shanghai Municipal Police, should come in mortal conflict with a member of the Shanghai City Government Police and thereby indirectly involved the Japanese Forces who support them. In order to prevent any such event, it would seem advisable to remove from any defense force sector all military forces which are not assigned to that defense Force sector under the present Defense Scheme.

We contend this suggestion is worthy of serious consideration and invite other expressions of opinions on the question.

A further undesirable feature of the proposed withdrawal of foreign defense forces from extra-settlement areas where we believe their presence to be legal and of paramount necessity; would be their concentration in areas where their presence is neither desirable nor necessary.

As set forth herein, we find ourselves unable to agree to adoption of the proposals of the Japanese which embody the principle that activities of the International Defense Forces must be confined to the limits of the International Settlement proper.

In connection with the remaining proposals, we find ourselves in accord with the Japanese views relating to the divorce of the Italian Forces from duty under the British Commander. We agree also that if and when Italian Forces are represented in the Defense Plan, they should have their own sector and it should be redesignated as the Sector "E" and be known as the Italian Sector; with the additional provision that in the event of the withdrawal of the Italian Forces; the reassignment of this sector will be left to the action of the International Defense Committee.

The question of assigning the Shanghai Volunteer Corps a permanent defense sector in the Defense Scheme of Shanghai is one which we believe depends entirely upon future conditions.

As its name implies, the Shanghai Volunteer Corps is a volunteer organization, and not, with the exception of its ranking officers and instructors, composed of professional soldiers.

History tells us that it has given outstanding and unselfish service to the population of Shanghai, and should be supported stoutly, but we never entertained the idea that the Shanghai Volunteer Corps should be assigned a separate defense sector; except in the event of an emergency and then only until relieved by one of the regular defense forces.

We do not agree with the Japanese contention that the SVC showed inability in holding Sector "B" during the time in question, but actually did function until relieved by regular British troops who were sent there to reinforce the regular foreign defense forces. It did, however, justify its existence as a volunteer organization during the emergency and should be maintained for such future service.

In conclusion, we wish to state that we firmly believe that any proposed revision of the present Shanghai Defense Plan should be explored and treated with the view of appreciating its ultimate effect on the interests of all forces concerned, and should the interests

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By Milton D. Chertoff NARS, Date 12-18-75

of any country be adversely affected, or should any proposed changes operate to deprive a military commander of that freedom of action which he has reserved for himself -- then, such revision should be rejected in order that the Defense Plan remain effective, as we believe such is the condition today; at least in its larger aspects.

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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

C O P Y

S E C R E T

BRITISH MILITARY HEADQUARTERS  
TIFENG ROAD  
SHANGHAI

Rear Admiral Y. Shishido,  
Commanding Imperial Japanese Naval Landing Party,  
Shanghai.

Sir,

I have the honour to inform you that the proposals recently submitted by the Japanese members of the International Defence Committee of Shanghai were transmitted to His Britannic Majesty's Government for their consideration. I have been ordered by His Britannic Majesty's Government, who have made a careful and detailed study of the proposals, to reply to your request for consideration of the proposals made at the meeting of the Shanghai Defence Force Sub-committee on September the 22nd, 1939.

I am instructed to say that they have carefully considered the reasons advanced for the revision of the Defence Plan at the present time. The British authorities, however, are unable to agree with your view that the situation in the areas surrounding the International Settlement has improved, owing to the occupation by Japanese forces and the increase in numbers and efficiency of the Shanghai Special Municipality Police. On the contrary it is felt that there is still a great need for special precautions by the armed forces of Third Powers for the protection of their Nationals from action by the Chinese organizations officially supported by the Japanese which are operating in the immediate environs of Shanghai. The Western Area, Sector D, however, is not only one of the most important residential areas of Shanghai, it is the home of a very large number of British and other Foreign Nationals and includes their property and other investments. I am to emphasise that the protection of these Nationals and their property is the responsibility of the British forces under the terms of the International Defence Scheme of Shanghai. The conditions now existing in that area do not give any indication that the future holds any guarantee that adequate protection and respect for the lives and property of British and other foreign nationals residing therein will be assured. There is in fact every reason to believe that the lives, property and interests of British and other Foreign Nationals are in increasing danger for interference.

I am accordingly directed by His Britannic Majesty's Government to inform you that no withdrawal of British troops from their present responsibilities in Shanghai can be contemplated until all danger to British and Foreign lives and property is removed and circumstances permit a general reconsideration of the defence arrangements for Shanghai by the Nations concerned.

Assuring you of my sincere desire for the continuance of close cooperation and understanding in the interests of law and order.

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E.O. 11652, Sec. 3(E) and 5(D)

17/1973

Max 20

1973

With highest consideration,

I have the honour to be, sir,

Your obedient Servant,

(signed) J. Keith Simmons, Major-General,

Commanding The British Military Forces in Shanghai.

No. 188.

AMERICAN CONSULATE,  
Tsinan, China, December 11, 1939.

SUBJECT: CONTINUED DISSENSION AMONG THE  
CHINESE FORCES IN SHANTUNG. PATRIOTS  
WHO ARE OSTENSIBLY PUPPETS NOW FORM  
NUCLEUS OF FUTURE RESISTANCE.

O.N.L. A. -REK

Division of  
EASTERN AFFAIRS  
JAN 10 1940  
Department of State

The Honorable

Nelson Trusler Johnson,

American Ambassador,

Peiping, China.

For Distribution	Yes	No
6		
Hon. Trusler Johnson		
to ONI & MID		

Sir:

With reference to the Consulate's telegrams of  
October 13 (1939) 1 p.m. and October 27 (1939) 3 p. m.,  
I have the honor to report that the local Japanese  
military authorities allege, with some justification  
it is believed, that the strength and morale of the  
Chinese forces in Shantung are on the decline as a  
result of continued Japanese military pressure, the  
advent of cold weather and the difficult subsistence  
problems arising from the poor harvests. Consequently,  
it is stated, the friction between Kuomintang and com-  
munist forces is growing more acute.

It is stated that several units of the 8th Route  
Army have been forced by Japanese military operations  
to retire to the mountainous regions of central and  
southern Shantung where, for the same reason, Kuomintang  
troops have also taken refuge. These contacts are stated

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JAN 10 1940

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to have resulted in friction and it is claimed that the leaders of both camps, namely, Yu Hsueh-chung, Shen Hung-lieh, Hsiao Hwa and Hung Tse, have held several meetings with a view to removing such friction. However, the different political views and conflicting interests in the fields of conscription and taxation have proved insurmountable barriers to an agreement, it is said.

Specific instances of this continued dissension in the Chinese camp are given in a report from Japanese sources at Ichowfu. It is said that the Kuomintang Magistrate of Tancheng (southernmost hsien in Shantung), in command of 600 "adequately equipped" troops, has recently clashed several times with a force of 800 communist troops stationed 30 miles south of Tancheng. The report also states that subsequently 200 of Shen Hung-lieh's men were disarmed by the communists near Tancheng. In retaliation, the Magistrate of Tancheng is said to have led about 1,000 men, mostly inexperienced farmers, against the communists, but to have been defeated and forced to flee his county seat.

The report that General Chiang Kai-shek has recently ordered the reorganization of all Chinese armed forces in central and southern Shantung would appear to lend credence to these Japanese tales of continued strife in the Chinese ranks. According to this report, all Chinese forces in the above-named area are, under instructions from Chungking, to be designated as guerrillas and they are to be placed under the unified command of General Yu Hsueh-chung, who has been appointed "Commander-

in

- 3 -

in-Chief of Guerrillas in the Kiangsu-Shantung Border Area."

Following an inspection tour of Japanese-controlled areas of southern Shantung completed on December 3rd, the Chief of the Special Service Section of the Japanese Army in Tsinan made the following statement:

"In bandit-infested areas the land tax has increased tenfold. There is more than one cause for grief to the residents, who are, therefore, unanimous in their hope for the establishment of the new regime."

It is true that in southern Shantung, as well as elsewhere in this province, the people are paying taxes to at least two factions.<sup>1</sup> It is also possible that, as Colonel Kono suggests and as is reported by an American missionary to be the case in northeastern Shantung,<sup>2</sup> the heavy tax burden, the inconsistencies of the Chinese under arms and the general disorder which prevails are causing important sections of the populace to despair of further resistance to the invaders.

On the other hand, there is more and more evidence that adherents of Chiang Kai-shek and other true patriots are filling an increasing number of positions of confidence and trust in the new regime, where they are in a position effectively, if not openly, to carry on the struggle for the cause of China.<sup>3</sup> The identity of these men, surrounded as they are by political opportunists, renegades and Japanese advisers, is not even known to their own families and friends, but they now appear to form the backbone of future resistance to the Japanese in this district, passive or otherwise. And they deserve

more

1. Cf. Consulate's telegrams of October 13, 1 p.m. and October 27, 3 p.m.
2. Cf. Consulate's despatch to Embassy no. 168, file 800, p. 3.
3. Cf. Consulate's despatch no. 111, file 800, p. 3.



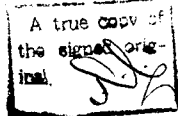
- 4 -

more credit than the soldier in the field, for their lives are in constant danger, as betrayal may come at any moment from any one of several quarters. Nor do members of the Kuomintang excel the communists in their fearless efforts at masquerading as puppets. In this connection, reference is made to the Consulate's telegram of December 10 (1939) 2 p.m.

SUMMARY.

While Japanese stories of continued dissension among Chinese armed forces in Shantung may be propaganda devised especially for Chinese consumption, a report that the Generalissimo has ordered the reorganization of all forces in central and southern Shantung, consisting of two divisions of the 51st and two divisions of the 57th Armies, several units of the 8th Route Army and various groups of guerrillas, under the unified command of Yu Hsueh-chung, would appear to lend credence to these tales. It is believed probable that, as in northeastern Shantung, important sections of the populace in southern Shantung, and perhaps elsewhere in this consular district, would now welcome the new regime in the hope of restoration of peace and order and equitable taxation. Chinese patriots who are ostensibly serving the puppet authorities now believed to form the nucleus of such future resistance to the Japanese as will be possible in this region.

Respectfully yours,



Carl O. Hawthorne,  
American Vice Consul.

800  
COH:KCC/KCC  
Original to Embassy, Peiping,  
5 copies to Department,  
Copies to Embassies, Chungking and Tokyo,  
Copies to consular offices, Shanghai and Tsingtao.

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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

**TELEGRAM RECEIVED**

MM

Chungking

This message must be closely **FROM** Dated December 29, 1939  
paraphrased before being com-  
municated to anyone. Br.

Rec'd 19:02pm.

Secretary of State

Washington, D.C.

671, December 29, 11am.

Hong Kong's 455, December 27, noon.

The Embassy has received from second source mentioned  
in Embassy's No. 665, December 27, noon, reports to the  
effect that before evacuating Lungchow, Kwangsi, on December  
22, Chinese forces burned most of the city; that a force of  
eight hundred Japanese cavalry entered the city without  
opposition on the twenty-third and twenty-fourth; and  
left on the twenty-fifth, moving toward Ninming, southeast  
of Lungchow, where Chinese forces engaged them. The  
outcome of this action is not yet known. Embassy is  
inclined to place greater reliance on this report than  
on that from first source in telegram under reference.

Repeated to Peiping, Hong Kong.

PECK

PEG

JAN 6 1940

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F/FG

Division of  
THE EASTERN AFFAIRS  
2-  
15558

Communicated by  
telephone to ONI and  
MID 1/3/40  
EHE

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**TELEGRAM RECEIVED**

HSM

GRAY

Chungking via N. R.

FROM

Dated January 9, 1940

Rec'd 6:15 a. m.

REK

Secretary of State,  
Washington.

COPIES SENT TO  
C.N.I. AND M.I.D.  
REK

Division of  
FAR EASTERN AFFAIRS  
JAN 9 - 1940  
Department of State

17, January 9, 10 a. m.

Tel. to Chungking  
JAN 12 1940

Following from Yunnanfu:

"Eighth. It is now learned that a direct hit was made by Japanese planes on the 50 meter railway bridge at Esiao-Lung-Tan north of Kaiyuan during the bombing on January 5th, and that the bridge is seriously damaged. Local railway office in a notice states that all freight and express passenger traffic to and from Yunnanfu will be stopped until further notice. Perkins."

Repeated to Peiping, Shanghai, Hong Kong. Shanghai please repeat to Tokyo.

PECK

KLP

ADVISER ON POLITICAL RELATIONS  
MR. HORNBECK  
JAN 11 1940  
DEPARTMENT OF STATE

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JAN 13 1940

FILED

F/N

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FE

**TELEGRAM RECEIVED**

HSM  
This telegram must be  
closely paraphrased  
before being communi-  
cated to anyone. (Br.)

FROM Hong Kong via N. R.

Dated January 9, 1940

Rec'd 1:42 p. m.

*Substance communicated to  
ONI and MID by phone  
10-4-0  
EFD*

Secretary of State,  
Washington.

Division of  
FAR EASTERN AFFAIRS  
JAN 10 1940  
Department of State

14, January 9, 2 p. m.

Reliable sources in Hong Kong now confirm that  
the villages and towns along Hong Kong frontier for  
a probable depth of thirty or forty miles inland have  
been reoccupied by Chinese officials and militia and  
police. No Japanese forces remain in Kowloon frontier  
zone where they evacuated with apparent deliberation  
during the last week in December and the first few days  
of January and the Chinese reoccupation was therefore  
entirely unopposed. However I understand that Hong Kong  
Chinese news sources are inclined to represent this re-  
occupation of frontier villages and towns as another  
Chinese victory.

793.94/15587

JAN 13 1940  
RECEIVED

The British authorities have not yet reopened the  
motor highway to Shumchun which since last August has  
been closed for a distance of about five miles this side  
of frontier. There is some opinion that they are waiting

to

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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

hsm -2- No. 14, January 9, 2 p. m., from Hong Kong  
to see whether ~~American~~ <sup>the Japanese</sup> evacuation of frontier zone  
is serious or only a temporary move. My Japanese  
colleague here says that the evacuation has been made  
as a friendly gesture to the British and that occupation  
of the frontier zone is not likely to be resumed unless  
Chinese activities should make that necessary.

Repeated to Chungking, Peiping, Canton.

SOUTHARD

DDM

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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

TELEGRAM SENT

Department of State

*Gray*  
TO BE TRANSMITTED  
CONFIDENTIAL CODE  
NONCONFIDENTIAL CODE  
PARTIAL  
PLAIN

PREPARING OFFICE  
WILL INDICATE WHETHER  
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Washington.

January 8, 1940.

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AMEMBASSY,  
TOKYO (JAPAN) DIVISION OF  
COMMUNICATIONS  
AND RECORDS

*7 pm*

RUSH. *B*

The New York Times of January 8 contains a United Press story under Tokyo date line January 8 to the effect that it is understood that the Japanese Minister for Foreign Affairs is prepared to resume his discussions with you and to make in the course of such discussions a statement to you in regard to the Japanese Government's decision to sponsor the setting up of a new regime in China under Wang Ching-wei. Should the Foreign Minister in the course of conversation make such a statement to you, it is suggested that it would be advisable for you to express the view that the proposed regime, if set up, would seem to be an artificial creation and that, judged by the experience of regimes established during recent years under Japanese auspices in various parts of China, we cannot repeat not escape the conclusion that the proposed new regime would seem to be designed primarily to serve the special purposes of Japan and would operate toward depriving the people and the Government of the United States, and the people and governments of other third countries, of ~~the~~

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Enciphered by \_\_\_\_\_  
Sent by operator \_\_\_\_\_ M., \_\_\_\_\_, 19 \_\_\_\_\_

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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

PREPARING OFFICE  
WILL INDICATE WHETHER

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PARTAIR  
PLAIN

Collect { Full rate  
Day letter  
Night letter

Department of State

Charge Department:

-2-

Washington,

Full rate  
Day letter  
Night letter

Charge to  
\$

enjoyment -- or even opportunity to enjoy -- various long  
established rights in China which are legally and justly  
theirs. (See Department's telegram 349, November 13,  
8 p.m., paragraph two.)  
793.94/15485a

*Jones*

✓  
RH CR  
JAN 8 1940 PM

FE:MMH:MEP:/HJN

*Jones*  
FE  
*by HJN*

PA/H  
*SKH*

Enciphered by \_\_\_\_\_

Sent by operator \_\_\_\_\_ M., \_\_\_\_\_, 19 \_\_\_\_\_

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton C. Dunbar NARS, Date 12-18-75

**TELEGRAM RECEIVED**

JR

GRAY

FROM  
Chungking via

Dated January 10

Rec'd 3:20 a.m.

COPIES SENT TO  
SENT TO  
892

DIVISION OF CONTROLS  
FEB 10 1940  
DEPARTMENT OF STATE

Secretary of State,  
Washington.

COPIES SENT TO  
C.N.I. AND A.I.D.  
892

Division of  
FAR EASTERN AFFAIRS  
JAN 10 1940  
Department of State

19, January 10, 11 a.m.

Following from Yunnanfu.

*file*  
*tel. to Chungking*  
*Jan. 12.*

"January 9, 10 a.m. French officials here state that the Lace Bridge at kilometre 83 was hit during the January 7 bombing rendering the bridge impassible for trains. Two uprights to one section of the bridge were twisted and the foundations badly shaken. Eighty meters of rails were torn out.

The sources also state that while all freight and direct passenger traffic with Yunnanfu is interrupted the transfer of passengers and small baggage across the two major breaks can still be effected. Perkins". Repeated to Peiping, Shanghai, Hong Kong. Shanghai please repeat to Tokyo.

793.94  
893.77

793.94/15588

DEPARTMENT OF STATE  
A.M.C  
FEB 12 1940  
ASSISTANT SECRETARY  
OF STATE

PECK

ADVISER ON POLITICAL RELATIONS  
MR. HORNBECK  
JAN 11 1940  
DEPARTMENT OF STATE

F/FG



381 *E*

**TELEGRAM RECEIVED**

CORRECTED COPY

CK  
This telegram must be closely paraphrased before being communicated to anyone. (Br.)

Hankow via N. R.  
FROM Dated January 9, 1940  
Rec'd 6 a.m., 10th.

Secretary of State  
Washington

*Coffle*  
Division of  
FAR EASTERN AFFAIRS  
JAN 11 1940  
Department of State  
*MAA*

*Shown in confidence  
to Wagn Borne (ONI)  
& to Wagn Bette (MID)*

January 9, 4 p.m.

Central China at the beginning of 1940.

One. Military. It is unlikely that the Chinese can successfully challenge the present Japanese hold on Central China in the immediate future unless (one) they cut the Yangtze line of communications and employ their best troops and hitherto unused material in a determined and coordinated offensive or (two) developments elsewhere divert a substantial body of Japanese troops from this area. Although Chinese here speak hopefully of the fulfillment during February of the former contingency this office believes that such expectations are premature, attribute to the Chinese a degree of coordination which they have not yet achieved, and underestimate Japanese tenacity.

Two. Economic. Japanese and Chinese finance commerce and industry exist and function only under Japanese military franchises. Racketeering and the narcotic traffic flourish

either

793.94/15589

JAN 18 1940

RECEIVED

382

-2-January 9, 4 p.m., from Hankow.

either as enterprises conducted by Japanese army personnel or with the tacit consent of the military authorities. The imposition of army fiat notes on the public is forcing Chinese national currency out of circulation and into the hands of the Japanese military. American and other foreign economic activities virtually do not and, unless there is an effective reversal of the army's policy, will not exist. It now seems evident that Japanese economic policy in Central China is directed at quick and extortionate exploitation of this area for the benefit of (one) the Japanese military forces, (two) Japanese business and, only incidentally (three) Chinese deserving of Japanese favor.

Three. Political. (END SECTION ONE)

SPIKER

CSB

383

**TELEGRAM RECEIVED**  
CORRECTED COPY

JR  
This telegram must be  
closely paraphrased be-  
fore being communicated  
to anyone. (br)

**FROM** Hankow via N. R.

Dated January 9, 1940

Rec'd 8:35 a.m., 10th.

Secretary of State,  
Washington.

January 9, 4 p.m. (SECTION TWO).

Chinese politicians working for the Japanese in  
Central China may be classified as (1) opportunists  
(2) respectable nonentities whose financial resources  
are exhausted and who must secure employment (3) as  
intelligence agents (4) senile Buddhist philanthropists,  
and in rural posts a high percentage of (5) opium addicts.  
None of them gives real credence to the naive and  
preposterous Japanese rationalizations of the invasion  
of China nor to promises of cooperation on a basis of  
equality under the new order. Only on the foregoing do  
the puppets agree; they are otherwise split into hostile  
cliques.

Four. Impasse. The Japanese dilemma is that (1)  
their military action is inconclusive (2) the Japanese  
cannot administer this area without Chinese cooperation  
(3) the corrupt rapacity of Japanese economic exploitation  
discourages

384

-2- January 9, 4 p.m. (SECTION TWO) from Hankow.

discourages genuine Chinese cooperation: all theoretical concept of sovereignty aside, the Chinese themselves want the fruits of their own land. The Japanese are able on the other hand to derive a degree of cold comfort from (1) the Taoist fatalism of the Chinese (2) their undeveloped patriotism and low standard of living which forces large numbers of Chinese to trade with the enemy and accept his employment (3) the continuing struggle for power among the various Chinese factions, not one of which is prepared to drain its strength in determined individual action against the Japanese so long as there exists the likelihood of civil war following a hypothetical Chinese victory.

Sent to Chungking.

Peiping, Shanghai. Shanghai please mail code text to Tokyo.

SPIKER

DDM

385

*See corrected copy* *FL*  
*ejl*

**TELEGRAM RECEIVED**

JR

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Hankow via N. R.  
**FROM**  
Dated January 9, 1940

Rec'd 6 a.m., 10th.

Secretary of State,  
Washington.

January 9, 4 p.m.

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793.94

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K

793.94/15589

F/FG

-2- January 9, 4 p.m., from Hankow.

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Three. Political. (END SECTION ONE)

SPIKER

CSB

### TELEGRAM RECEIVED

JR

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to anyone. (br)

Hankow via N. R.

FROM Dated January 9, 1940

Rec'd 8:35 a.m., 10th.

Secretary of State,

Washington.

January 9, 4 p.m. (SECTION TWO).

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-2- January 9, 4 p.m. (SECTION TWO) from Hankow.

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Sent to Chungking.

Peiping, Shanghai. Shanghai please mail code text to Tokyo.

SPIKER

DDM



DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

*HR*  
*AMC*  
DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

January 24, 1940

Mr. Perkins' report is timely and the subject is treated in a clear and comprehensive manner. It should be of considerable value to the Department as a reference. FE suggests, therefore, that it be given a grade of "Excellent".

*m.m.A.*

*Jmj*  
FE: Jones: HJN

*GAC/HA*  
*NEWS*

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Dunbar NARS, Date 12-18-75

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

January 20, 1940.

Reference Shanghai's report  
no. 2742, December 11, 1939, entitled  
"Japanese Economic Penetration in  
Central China".

Mr. Perkins has gone to considerable trouble to prepare a compendium of information in regard to Japanese economic penetration in central China which should be of considerable value for reference purposes. Detailed information is given in regard to each of the phases of commercial activity in central China into which the Japanese have seen fit to intrude. I suggest that you read the first four and one-half pages, as well as the brief summary which appears at the end of the report.

793.94/15590

FE: Jones: JPS



-2-

a framework is being laid, using Manchurian and North China forms adjusted to the scene, for the complete economic domination of this region by Japan to the virtual exclusion of other foreign trade, industry and investment.

The principal agency for the economic control of this region by Japan is the Central China Development Company, a Japanese juridical person, supervised and partly subsidized by the Japanese Government. This company was established on November 7, 1938, to "attend to investment in and accommodation of funds to enterprises concerned with the public interest or industrial development" in Central China. By the terms of the bills establishing national policy companies in North and Central China, which were presented to the Japanese Diet in March 1938, this company is also empowered, when necessary, to attend to the management of such enterprises.\* The connection of the Japanese Government with the Central China Development Company is close; all its activities must be approved by the Government, including changes in its constitution and the establishment of new subsidiaries. The President and Vice President of the company receive their appointment from the Japanese Government at Tokyo. In the provision authorizing the company to issue debentures up to five times the value of its paid-up capital, it is stated that "the Government shall consider measures for guaranteeing the payment of capital

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and

\*See enclosure no. 1 for text of this bill as reported from Tokyo by Reuters on March 25, 1938.

-3-

and interest of such debentures."\* It is understood that one-half of the authorized capital, Yen 100,000,000, is to be subscribed by the Japanese Government.

One-half of the 2,000,000 shares (at Yen 50 per share) is to be subscribed by private Japanese capital, principally by life insurance companies, industrial associations, and the huge trading companies. According to FINANCE & COMMERCE (Shanghai),\*\* quoting Japanese sources, the following share allotment has been made:

	<u>Central China</u>
Life insurance companies . . . . .	90,000
Property insurance companies . . . . .	14,000
Electric Federation . . . . .	45,000
Members of Stock Exchange (Tokyo, Osaka, Kobe, Nagoya and Kyoto) . . . . .	45,000
Steel Association . . . . .	32,000
Colliers Association . . . . .	30,000
Spinners Association . . . . .	23,000
Shipowners Association . . . . .	18,000
Sugar Manufacturers Association . . . . .	18,000
Shipping Association . . . . .	13,000
Rayon Association . . . . .	10,000
Mitsui . . . . .	90,000
Mitsubishi . . . . .	90,000
Sumitomo . . . . .	90,000

The directors of the Central China Development Company have stated that non-Japanese investment will be permitted subject to the approval of its president, but it is unlikely that Japanese national policy companies will attract any large amounts of foreign capital by way of direct investment.

Twelve subsidiary companies have thus far been established, having a total authorized capital of

yen

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\*It is believed that no debentures have yet been issued under this provision, although there have been press reports of proposed issues in 1940.  
\*\*August 3, 1938.

-4-

Yen 173,000,000, of which Yen 98,081,000 is paid up.\*  
The investment share allotted to the Central China  
Development Company in these companies totals Yen 69,358,000,  
while that of other Japanese capital is Yen 40,600,000  
(in each case only partly paid up). It will be noted that  
Japanese capital has a field for investment in the affil-  
iated enterprises as well as in the parent company.  
Chinese participation is limited to the subsidiary com-  
panies, and a total of Yen 48,334,000 is given as the  
Chinese contribution in kind, representing shares issued  
against the assigned values of Chinese properties taken  
over by the various companies. The total Chinese cash  
contribution has been set at Yen 14,588,000.

It may be observed that the Japanese Government,  
through its control of this holding company, is itself  
an investor in and the ultimate manager of enterprises  
which already monopolize most of the lucrative trade  
and industry in Central China. The structure of this  
company and the Japanese Government's relation thereto  
are in the tradition of Japanese enterprise in Manchuria,  
beginning with the South Manchuria Railway. In the  
present instance there is the same close connection of  
the Tokyo Government with a military-supported regime.  
While the holding company itself is entirely Japanese,  
each of the industrial concerns subsidiary to it is a  
state company of the "Reformed Government", from which it  
obtains its monopoly, approval of its regulations, and,  
in most instances, financial participation.

In

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\*These figures, as well as subsequent ones concerning the  
capital structure of the subsidiary companies, are taken  
from FINANCE & COMMERCE, September 27, 1939, quoting  
Japanese official sources.

-5-

In view of the reluctance of Japanese private capital to finance further military states on the continent, military direction of industrial enterprises in Central China is less apparent than in Manchuria, but the financial control of the Japanese Government is perhaps even more thoroughgoing. How close the governmental tie is to be may be seen from a reading of clause 9 of the enabling bill presented to the Diet: "The Government shall make efforts to make the new regime government in Central China, if such is created in the business territory of the proposed company in the future, consider special treatment methods for the proposed company and its affiliates."

Separate consideration of the structure and activities of the twelve subsidiary companies is given below. There then follows an account of Japanese activity in other Central China industries.

#### Iron and Metallic Ores.

The Central China General Mining Company was organized on April 8, 1938, to mine iron ore in Central China for shipment to Japanese steel mills. The authorized capital of this company upon its formation was Yen 10,000,000. The scope of the company's operations was widened in August 1939, to include other minerals and its capital increased to Yen 20,000,000, of which Yen 15,000,000 is paid up. Yen 4,500,000 has been fixed as the contribution of the Central China Development Company; Yen 5,255,000 is to be subscribed by Japanese iron companies, including the powerful Japan Iron Manufacturing Company with a subscription of Yen 3,000,000, the Nippon Kokan Kaisha,

Asono

-6-

Asono Iron Manufacturing Company, Nakayama Steel Works, and the Sino-Japanese Industry Company. The Chinese contribution in kind is assessed at Yen 10,000,000 and is reported to represent the value of properties of twenty Chinese iron mines in Anhwei, Kiangsu, and Chekiang.\* The amount of Yen 245,000 is listed as the Chinese cash contribution. The plans of the company, announced upon its formation, called for the annual production of 1,000,000 tons of iron ore, which is to be increased to 5,000,000 tons in five years.\*\* According to more recent reports 500,000 tons of iron ore is expected to be mined in southern Anhwei north of the Yangtze River at Nanshan, Taochung, and other places. Mines between Wuhu and Nanking, including the iron works at Sanshanchen, south of Wuhu, have been mentioned as the first to be worked. Manganese extraction near Loping in northwestern Kiangsu is projected; while deposits of lead, tin, wolfram and antimony will be sought. It may be pointed out that as the iron ore deposits in the Yangtze Valley have been estimated by the Geological Survey of China (conservative) at about 65,000,000 tons, at the proposed rate of production the best deposits would be exhausted in a little over ten years' time from the inception of the schedule.\*\*\*

In

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\*CHINA NEWS & VIEWS DIGEST, February 7, 1939.

\*\*SHANGHAI MAINICHI, March 21, 1939.

\*\*\*Comment by Commercial Attache:

"About ten years ago, here in Shanghai in conversation with Dr. V. K. Ting, who headed for some years the China National Geological Survey, I expressed surprise over the published results of the surveys on coal, iron and certain other base metals in that the figures were astonishingly low, especially so when compared with the estimates that had been

put



-7-

In 1936, the last year for which statistics are available,\*\* the output of the large Yufan, Paoshing, Fulimin and Yihua mines in Anhwei amounted to approximately 600,000 metric tons of iron ore. The Hsiangpishan mine in Hupeh produced 200,000 tons, and the Tayeh mine of the Hanyehping Company in Hupeh produced 542,000 tons. All of the above output was taken by Japanese interests with the exception of the Hsiangpishan mine, which went largely to the Chinese furnaces at Hankow.

The Hanyehping Company, formerly a joint Sino-Japanese enterprise, has since been taken over completely by the Japan Iron Manufacturing Company and is apparently not to come under the control of the Central China Development Company.\*\* It is understood that the Japan Iron

Manufacturing

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put forth about 30 years earlier by the German geologist Baron Richtofen. While it has been generally conceded that Baron Richtofen's figures on China's mineral resources were somewhat fantastic, on the other hand the results of the Geological Survey headed by Dr. V. K. Ting would make it appear that China is comparatively poor in most minerals. In all events, when I spoke to him of the very low estimates that the Survey presented and commented upon the fact that he was definitely "bearish" in contrast to the "bullish" attitude of Baron Richtofen, he stated that the Chinese had reasons for presenting lower estimates than geological conditions actually warranted. While the country continued in a semi-dependent state in its relations with certain foreign powers, he felt that it was better policy to take a definitely "bearish" attitude as to the country's economic resources so as not to present any more alluring a picture than was absolutely necessary to those from without who would exploit the country's resources.

I am under the impression that some of the coal and iron resources which have been taken over by the Japanese in the territories occupied by them are much larger than the figures as given out by the Japanese or by the published statements of the Geological Survey would tend to indicate."

\* Chinese Year Book, 1937.

\*\* Finance & Commerce, September 21, 1938.

-8-

Manufacturing Company at the last moment "grabbed" the Hanyehping Iron Works from the Central China General Mining Company. According to Japanese reports of October 1938, the retreating Chinese had destroyed the foundries, smelters and railway at Tayeh, and it was estimated that more than six months would be required to put the mine in operation again.\*

Statistics of the Chinese Maritime Customs show that exports of iron ore to Japan in the first nine months of 1939 amounted to 713,453 quintals, or 41,345 metric tons, whereas in the same period of 1936 (the last normal year) exports to Japan were 9,263,000 quintals, or 926,300 metric tons. It is not known what share of the latter amount came from Central China, as the Shanghai exports shown in the Customs returns are insignificant. Although Japanese imports from China have probably decreased as a result of the hostilities, there is little doubt that unrecorded movements of iron are taking place largely by so-called Japanese military transports and that the Customs statistics have not shown accurately the amounts of iron ore shipped by Japanese companies. It is significant that under the new "1938" tariff mining machinery has been placed on the import free list, while iron ore, all of which is destined for Japan, is on the export free list.

Gas.

The Greater Shanghai Gas Company was organized in November 1938 to supply gas to the metropolitan area at  
Shanghai

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\*Oriental Economist, December 1938.

-9-

Shanghai and to engage in related industries. Its authorized capital is Yen 3,000,000, of which amount Yen 1,600,000 is paid up. The amount of Yen 1,500,000 is to be subscribed by the Central China Development Company, while Yen 1,000,000 is assigned to Japanese private interests. Yen 200,000 is given as the kind contribution by Chinese, a part of which is the value of 98 mow of land handed over to this concern by the Shanghai Real Estate Company; the Chinese cash contribution is Yen 300,000.

By a decree of October 4, 1939, the Ministry of the Interior of the "Reformed Government" promulgated regulations governing the company which embodied the company's own corporate regulations.\* In addition to the usual monopoly provisions, it is stipulated that necessary land may be expropriated for the use of the company.

Press reports state that the construction of a gas plant was begun at Shanghai in August of this year, and would be completed by February 1940.\*\*

#### Electric Power and Water Monopoly Companies.

The Central China Electricity & Waterworks Company was established on June 29, 1938, to control electric power plants and waterworks in Central China. The "legal" basis of this company's monopoly was provided in an order of the Ministry of Industry of the "Reformed Government" dated November 21, 1938, establishing regulations governing  
the

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\*Nanking Government Gazette no. 77, October 23, 1939.

\*\*SHANGHAI EVENING POST AND MERCURY, August 3, 1939.

-10-

the company's activities.\* As the regulations thus far issued governing other monopolies (telecommunications, gas and silk) are roughly similar to the present ones, 2/ a translation of this order is enclosed. The chief provisions relating to governmental supervision in the establishment of monopolies are:

1. No new establishments will be permitted to engage in the same enterprise as the monopoly company;
2. All existing enterprises of the same character shall be incorporated into and placed under the control of the monopoly company;
3. The "Reformed Government" guarantees amortization and interest payments on the company's debentures;
4. The approval of this "Government" shall be obtained for modification of company regulations, changes in officers, and amalgamation or dissolution of the company.

In the present instance the regulations provide general exemption of the company from taxes and fees, and customs duties exemption for three years for important machinery and materials needed by the enterprise.

The Central China Electricity and Waterworks Company has an authorized capital of Yen 25,000,000; the paid-up shares total Yen 20,000,000. Of the Japanese contribution, one-half of which is paid up, Yen 7,500,000 is to be supplied by the Central China Development Company, and Yen 2,500,000 by a syndicate of 20 leading Japanese power companies. The Chinese contribution is Yen 15,000,000 in plant and equipment which is stated to be derived from the assessed values of the properties of seven Chinese light and power companies in the suburbs of Shanghai, as follows:\*\*

Chapei

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\*Nanking Government Gazette no. 29, November 21, 1938.  
\*\*SHUN PAO, December 27, 1938.

-11-

Chapei Power Company . . . . .	Yen 7,300,000
Hwa Shang Electric Company . . . . .	3,800,000
Hinterland Water Supply Company . . . . .	2,553,000
Pootung Power Company . . . . .	800,000
Pootung Water Supply Company . . . . .	454,000
Hsiang Hwa Power Company . . . . .	70,000
Chenju Power Company . . . . .	18,000

Chinese sources assert that a just valuation of the property of the companies would have been approximately CN\$50,000,000.

Although other power plants and water works have been taken over in various Yangtze Valley centers, no information is available as to their assigned values in the Chinese kind contribution of Yen 15,000,000. Among the larger plants thus seized were the Capital Electric Works of Nanking, the Hangchow Electric Company, and the Soochow Electric Company.

In addition to its establishments around Shanghai, this company is at present operating power plants at Hangchow, Sungkiang, Soochow, Changchow, Chinkiang, Nanking, Wuhu, Anking, Kiukiang and Hankow, and waterworks at Hangchow, Chinkiang, Nanking and Hankow. The present monthly capacity of its power plants is stated to be 5,100,000 kilowatts at Shanghai, and 5,000,000 kilowatts at cities in the interior; monthly water capacity at Shanghai is 3,000,000 cubic feet, and 3,400,000 cubic feet in other cities.\*

Shipping.

The Yangtze River, excluding the section below Kiangyin, has been closed to foreign navigation since its control passed to the Japanese military forces, on the grounds of military necessity. However, Japanese commercial

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\*SHANGHAI EVENING POST AND MERCURY, August 3, 1939.

-12-

commercial vessels, under the protection of the Japanese military service, are known to be transporting commercial cargo and passengers, with local Japanese transportation companies operating openly in this field. The closure of the river to foreign commerce has been one of the chief instruments in the exclusion of third-power trade from Central China. Certain foreign companies in Shanghai were able for a time to continue services to lower Yangtze ports and to unoccupied ports in Chekiang. However, this traffic was increasingly harassed by detentions, refusal of Customs clearance papers, taxation, and closure of ports to foreign vessels and, in April 1939, foreign shipping to Kiangsu ports ceased.

The Shanghai Inland Water Navigation Company was formed on July 28, 1938, to engage in commercial shipping in the Yangtze delta. Yen 2,000,000 is given as the authorized capital of the company, Yen 1,074,000 of which is paid up. The Japanese contribution consists of Yen 600,000 by the Central China Development Company, and Yen 1,000,000 by Japanese interests, chiefly the Nisshin Kissen Kaisha with a reported subscription of Yen 400,000. Much of the firm's property and equipment is known to have come from the wholesale confiscation of Chinese steamers and junks during and after the hostilities around Shanghai. The shipping property contributed by Chinese who have "cooperated" was assigned a value of Yen 400,000. According to the latest available statistics\* the company operates 81 steam craft and 140 barges for its passenger and freight traffic.

This

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\*FINANCE AND COMMERCE, September 27, 1939.

-13-

This organization has now effective control of steamer and junk transportation on the Yangtze and Whangpoo Rivers and Soochow Creek, a contribution for the issuance of "licenses" being levied on Chinese craft where direct operation is not feasible. It is highly questionable whether foreign navigation on China's inland waterways will be permitted even after all danger from Chinese attacks is ended. The restrictions on Yangtze River traffic are stated by Japanese to be connected with the military situation, although Soochow Creek, which is a channel for much of Shanghai's produce supply and raw materials for western Shanghai factories, with few or no military considerations, is just as firmly closed except for the operations of this company. In addition to commercial shipping there is little reason to doubt that all tug and lighter services, as well as wharfage and warehousing facilities, will eventually be made a monopoly of this company.

The "Reformed Government" promulgated provisional regulations of the "Bureau of Shipping and Navigation of the Ministry of Communications" requiring the registration with that office of all Chinese vessels, and establishing general rules for their operation.\*

The press has reported the organization by leading Japanese shipping firms on August 5, 1939, of an East Asia Navigation Company, for the purpose of monopolizing Japan-China shipping.\*\* Capitalized at Yen 73,000,000, this organization will take over shipping between Japan  
and

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\* Nanking Government Gazette, no. 50, April 17, 1939.

\*\*CHINA PRESS, August 11, 1939.

-14-

and China, China coastwise lines, and will later establish services between Yangtze River ports.

Railways.

The Central China Railway Company was organized in April 1939 to take over and operate the former Chinese National Government lines in Japanese-occupied territory in Central China. The authorized capital of this company is Yen 50,000,000, of which Yen 13,890,000 is paid up. The shares allotted to the Central China Development Company amount to Yen 31,500,000, while the contribution of Japanese private interests is set at Yen 8,500,000. While Yen 10,000,000 is given as the Chinese cash contribution, there is no Chinese contribution in kind listed, although practically the entire capital assets of the company consist of former Chinese properties. (Previous reports stated that 40 percent of the capital was earmarked for the "Reformed Government", 40 percent for the Central China Development Company, and 20 percent for Japanese railway companies). It may be noted that the investment assets of the Nanking-Shanghai and Shanghai-Hangchow-Ningpo Railways alone totaled CN\$70,590,000 as of June 30, 1936.\* It is possible that in this instance, as in that of the Haichow salt areas, the Chinese Government properties have simply been taken over with no assignment of value being made. The first lines to be taken over were the Shanghai-Nanking, Shanghai-Hangchow, Soochow-Kashing, Shanghai-

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\*China Year Book, 1939.



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Shanghai-Woosung, and Nanking-Wuhu (formerly Kiangnan) lines, totaling 835 kilometers. In September of this year, the Japanese press announced that this company would take over the Huainan Railway, connecting Yuchikou on the north bank of the Yangtze and Luchow in northern Anhwei (near the Huainan coal fields), a total of 117 kilometers.\* The same report stated that the company would also operate the Pukow-Pengpu section of the Tientsin-Pukow Railway, 175 kilometers in length. It is also understood that the company is operating a motor freight transport service, approximately 910 kilometers in length.

The technical operation of these lines is strictly supervised by Japanese, their semi-military character being emphasized by the requirement of military permits for freight and civilian passenger traffic. It was reported that, as in the case of its North China counterpart, technical men from the South Manchuria Railway were early detailed to operate the Central China lines, and that some rolling stock of that concern is also in use here. According to Domei News Agency (Japanese), there were 2600 Japanese employed by Central China railway lines as of June 1939. While reconstruction and repairs have been necessary for the operation of these lines, it is believed that no great capital outlay has been made.

Thus far, foreign loan interests in the railways taken over have been totally ignored. The outstanding foreign bonds secured on the property and earnings of the Nanking-Shanghai Railway (5 percent loan of 1904 and 1907) amounted

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\*SHANGHAI MAINICHI.

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amounted on January 1, 1939, to £2,784,000, while those secured on the revenues of the Shanghai-Hangchow-Ningpo Railway (6 percent loan of 1936) amounted to £1,100,000. All loan services have been suspended since the Japanese occupation of these properties. At present, interest and amortization instalments in arrears total £1,392,000 for the Nanking line, and £66,000 for the Hangchow line.\* A Japanese Embassy spokesman in Shanghai was reported as stating in May of this year that "Nanking cannot be held responsible for loans made by Chungking", adding, however, that this did not imply repudiation.\*\*

Telecommunications.

The Central China Telecommunications Company was organized in July 1938 to control and operate all commercial telegraph, telephone and radio-communication services in Central China, and was, in August 1938, made a state company by the Nanking regime.\*\*\* At the present time it controls all such services outside the foreign concessions at Shanghai, nearly all the plant and equipment being the property of the Chinese National Government and Provincial Governments which were driven from this area. The authorized capital is Yen 15,000,000, of which Yen 10,000,000 is stated to be paid up. The assigned share of the Central China Development Company is Yen 6,000,000, and that of other Japanese interests Yen 4,000,000. Japanese participation, particularly in investment

\*China Year Book, 1939.

\*\*CHINA PRESS, May 2, 1939.

\*\*\*A translation of the official order establishing this company is enclosed with Shanghai's despatch no. 2274, June 14, 1939, "The Foreign Cable Companies and the 'Bogus' or 'Puppet' Regimes."

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investment and management, comes largely from the International Communications Corporation (Japanese) and the Japan Electric Communications Corporation.\* The Chinese contribution is valued at Yen 5,000,000, assigned to the "Reformed Government" representing the extensive properties taken over. Telephone and telegraph services, all of them outside the foreign concessions, are still semi-military, although the company reports increasing commercial use of its radio facilities. The present number of branch offices in Central China cities is given as 55.

Telephone service has been restored in principal cities, among them Nanking, Chinkiang, Yangchow, Soochow, Hangchow and, in Shanghai, Chapei, Nantao, and the Civic Center, although the service is extremely limited. Subscribers in the Shanghai area in March 1939 totaled only 1141. Long distance service is available between the larger cities mentioned above.

The properties of the Chinese National Telegraphs were taken over by the Japanese military authorities as they advanced into China. Telegraph connection is maintained with other offices in Japanese-controlled territory in China, as well as Manchuria and Japan.

The Chinese Government Radio Administration has likewise been taken over by the Central China Telecommunications Company. The Shanghai stations of the Administration at Chenju and Liuhong, which were partially destroyed in 1937, were occupied, and in March 1939 repairs to the Chenju station were completed (reportedly at a cost of US\$300,000) and operations begun. Meanwhile, two new stations operated by the

Japanese

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\*SHANGHAI MAINICHI, October 2, 1939.

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Japanese International Radio Office were completed in May 1938, which are eventually to replace the Chinese stations, one a receiving station at Kiangwan and the other a transmitting station in the Yangtzepoo district. A considerable amount of equipment is reported to have been imported from Japan, and engineers attached to the official company in Japan brought to Shanghai to organize a fully-equipped commercial network. The new company took over the existing traffic agreements between the Chinese Government Radio Administration and R.C.A. Communications, Mackay Radio and other foreign concerns. Direct circuits have been opened to Tientsin, Tsingtao, Canton, Hainan Island, Hong Kong, Dairen, Manila, Osaka and, on the international network, to San Francisco, Paris, Berlin and Rome. In addition, a service has been established between Shanghai and Japanese ships, as well as vessels of the Central China Marine Products Company.\*

Motor Bus Lines.

The Central China Motor Bus Company was organized in November 1938 to operate bus lines in Central China cities. The capitalization is given as Yen 3,000,000, of which Yen 1,505,000 is paid up. Shares assigned to the Central China Development Company amount to Yen 1,448,000, while a Japanese syndicate is responsible for a Yen 1,500,000 contribution. The Chinese contribution in kind is listed as Yen 10,000 and in cash Yen 2000. Figures as to the Chinese interest, which are derived from official sources, differ considerably from  
previous

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\*SHANGHAI MAINICHI, October 2, 1939.

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previous reports wherein the valuation of Chinese bus properties was given as Yen 500,000. Chinese sources\* state that five Chinese bus lines having a capitalization of CN¥1,225,000 were taken over by the Japanese.

Shanghai (Hongkew and the extra-Settlement roads), Nanking, Hangchow, Soochow, Chinkiang, Wusih and Changchow now have services operated by the company. The total length of these routes is 426 miles on which 102 omnibuses are employed.

According to Japanese explanations, enterprises connected with welfare or public utility work operate under a "franchise" through which operation and profits are supervised in the interest of the public. As the motorbus franchise has resulted in forcing out the existing British transport lines in Japanese controlled areas of the International Settlement of Shanghai, the present "franchise" can only be considered as a Japanese euphemism for "monopoly."

#### Commercial Aviation.

The restoration of landing fields and establishment of aviation services were among the first tasks undertaken by the Japanese forces following the occupation of Central China. A Tokyo-Shanghai air mail service was begun in July 1938, while commercial routes from Japan connecting with the Hui Tung Aviation Company lines in North China were opened by the Japan Air Transport Company in October of that year. Domei News Agency reported

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\*A survey by the Kincheng Banking Corporation (Chinese), Shanghai, post-hostilities industry at Shanghai, compiled in March 1939. The statistics contained in this survey are believed to have been carefully compiled and to be comparatively reliable.

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in August 1938 that the capital of the latter company was to be increased from Yen 10,000,000 to Yen 50,000,000, to allow for expansion of its activities. In December 1938 the China Aviation Company (Chung Hua Aviation Company), with a capitalization of Yen 6,000,000, had been formed to take over the Japanese lines in China, control of this company apparently resting in the hands of the Japan Air Transport Company. In September 1939 the China Aviation Company increased its capital by Yen 5,000,000 for expansion of airdromes and extension of its services.

Passenger routes at present operated by the Japanese in Central China are:

Fukuoka-Shanghai-Nanking  
Nanking-Kiukiang-Hankow (under military control)  
Nanking-Peiping-Hsuchow-Tsinan-Tientsin  
Shanghai-Hainan Island.

Officials of the China Aviation Company state that non-Japanese foreigners may travel on all these lines, provided military passes have first been obtained. According to the press the head office of this company will be moved from Peiping to Shanghai, and new commercial services will be added connecting Shanghai and Canton (via Formosa), Tatung and Paotou, Shihchiachwang and Kaifeng, Taiyuan and Yuncheng. Wireless stations will be established at Shanghai and Tsingtao to ensure safe operation. A number of American Lockheed and Douglas planes have been used on Japanese routes in China; however, the purchase of several German Condor planes by this company during the past year has been reported.

A complete monopoly of commercial aviation in China is indicated in the plans of this company, and there

seems

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seems little likelihood of foreign participation being allowed. The foreign interest in China's airways, such as the German Lufthansa and American connections with the China National Aviation Corporation, if Japanese plans succeed, will probably be completely lost.

Real Estate.

The Shanghai Real Estate Company was organized on September 1, 1938, to "undertake city, harbor and buoy construction enterprises in the vicinity of Shanghai." The capitalization of this company is Yen 20,000,000, of which Yen 15,000,000 is paid up. The assigned contribution of the Central China Development Company is Yen 5,000,000; the contribution of private Japanese interests is also set at Yen 5,000,000. The Chinese ("Reformed Government") contribution in kind is Yen 10,000,000 and represents the valuation placed on approximately 10,000 acres of land surrounding the Greater Shanghai Municipal Offices, which is largely land owned by the former Shanghai Municipal Government. Although the firm has announced that its basic aim is "town planning", sound business sense has not been discarded, as 333 acres of land were announced for sale on June 1, 1939.\* One dividend of 6 percent has already been paid by the company. Other land under private ownership is now being purchased by the Land Department of the Shanghai Municipality.\*\* The holdings of this company apparently are mainly building sites; it is probable that most of the desirable factories and buildings north of Soochow  
Creek

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\* SHANGHAI EVENING POST AND MERCURY, August 3, 1939.  
\*\*FINANCE & COMMERCE, September 27, 1939.

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Creek which were deserted by their Chinese owners were informally "distributed" to Japanese companies soon after the retreat of Chinese forces from that area.

The procedure by which this company acquired its monopoly rights was as follows:

1. The Ministry of the Interior of the Nanking regime on September 6, 1938, submitted to the Executive Yuan regulations concerning the construction of the Municipality of Greater Shanghai and naming the areas of construction; provisional regulations were submitted relating to land expropriation and examination and determination of real estate.\* These regulations were duly approved by the Executive Yuan.

2. The Shanghai Real Estate Company submitted its corporate regulations to the Minister of Industry and requested registration in accordance with law. These regulations, which provided for the land development program envisaged in the original regulations of the Ministry of the Interior, were approved by the Executive Yuan and promulgated by official order on November 21, 1938.\*\*

It may be mentioned that because of its official status the expropriation powers granted to this company are extensive. Besides exercising wide latitude in condemnation proceedings, the company may seize and use the property of "absentee owners", that is, Chinese owners who are unable or afraid to renew claim to their property.

Fisheries.

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\*Reported in the Nanking Government Gazette, no. 28, on November 14, 1938.

\*\*Nanking Government Gazette no. 29.



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Fisheries.

The Central China Marine Products Company was formed November 6, 1938, to control the fishing industry and the transportation and marketing of marine products in Central China. The authorized capital of this company is Yen 5,000,000 (previously reported at varying sums in excess of this figure), with Yen 2,665,000 paid up. The parent company is listed as having a share of Yen 2,770,000; other Japanese capital is assigned Yen 1,700,000. The Chinese contribution in kind is Yen 330,000, representing fishing vessels and equipment not forcibly seized, as well as the monopoly of China's richest fishing grounds; Yen 200,000 is to be the Chinese cash contribution.

Prior to hostilities, approximately 360,000 persons were engaged in the fishing industry in Chekiang and Kiangsu Provinces, employing 21,400 fishing boats. The total catch in 1936 was nearly \$97,000,000, which is almost half the annual catch on the coasts of Japan proper.\* However, the occupation of Ningpo, the largest fishing port in Chekiang, will be necessary before the company can effectively dominate the industry in Central China. The production of fish in the area controlled is estimated by Japanese sources to be 50 percent in quantity and 60 percent in value of the total catch in China. Sea fishing will be carried on chiefly along the Chekiang coast, centering around Chusan Island; other grounds are located off Tsungming Island and numerous smaller islands to the north. River fish will be taken

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\*Chinese Year Book, 1937.

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from the Yangtze, Kan and Hsiang Rivers and from the many lakes in this region.

Although the National Government had already established training schools and experiment stations for this industry, as well as a Fishery Protection Office at Shanghai, one of the altruistic motives offered by the Japanese (as in the case of silk and tea) for taking over Chinese fisheries was that they needed to be "scientifically developed." Under the Japanese regime the industry is being rapidly mechanized; 24 motor boats, each capable of carrying 250 tons of cargo, are already in use. It was reported as early as October 1938 that 10,000 Japanese fishermen had been sent to Central China to help man the fisheries in the Japanese style. Chinese fishermen, who may operate only in the grounds allotted to them by the monopoly, are required to register with a special fishing bureau, registration fees ranging from \$2.00 to \$50.00, dependent on the size of the craft, being collected.\* In addition, the Japanese controlled Shanghai city government is understood to have collected an "inspection fee" from Shanghai fish hong and sampans of approximately \$2.00 per picul on fish landed here.

A new fish market, nominally a joint Sino-Japanese enterprise, was opened in the Yangtzepoo district in August 1938 to replace the former city market at Point Island, which was organized by the Chinese National Government in May 1936. Through the use of Japanese patrol boats and tax stations on Soochow Creek and the Whangpoo River, the catch of sampans from inland waters was effectively diverted to the new market, resulting in  
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\*SHUN PAO, September 7, 1939.

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the curtailment of supplies to the 16 fish hong's in the French Concession which had handled most of the inland fish on the Shanghai market. The hong's were obliged to buy space in the new market and pay the usual taxes in order to survive. This market, which now has a monopoly of fish in Shanghai, has been taken over by the Central China Marine Products Company and is a satisfactory source of income, as the average monthly volume of business in 1939 has been in the neighborhood of CN\$1,500,000.\*

It may be noted that import duties on fishery and sea products under the "1938" tariff are approximately 50 percent lower on important Japanese products of this group than the 1934 tariff level.

Coal.

The Huainan Coal Company was organized in June 1939, with an authorized capital of Yen 15,000,000, of which Yen 9,675,000 is paid up. The Japanese contribution consists of Yen 4,150,000 by the Central China Development Company, and Yen 5,000,000 by the Mitsui and Mitsubishi groups. The Chinese contribution in kind is given as Yen 4,350,000. Of the latter amount Yen 2,500,000 is the assigned value of the Chinese private interests, while Yen 1,850,000 is allotted to the "Reformed Government", doubtless because of the semi-official character of the former Chinese Huainan Coal Mining Company (the capital of the latter company is stated to have been CN\$10,000,000).\*\*

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\*SHANGHAI MAINICHI, September 25, 1939.  
\*\*Chinese Year Book, 1938-39 and 1937 issues.

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The Chinese cash contribution is given as Yen 1,500,000.

The Huainan coal fields, which lie south of the Huai River in northern Anhwei, were being rapidly developed by Chinese interests prior to the present hostilities, with an annual production in 1936 of 1,000,000 tons.\* It is reported that a portion of the machinery at these mines was shipped to Hunan and Szechwan, and the remaining facilities extensively damaged before the withdrawal of Chinese forces from that area. Japanese development of the fields will undoubtedly entail a considerable capital outlay for replacements and repairs.

Other coal deposits in China which are expected to be developed by this company are the Liehshan field in Anhwei, with an annual production in 1934 (the latest available figures) of 85,000 tons; the Huatung field in northern Kiangsu, and the Changhsing mines in Chekiang, each with a previous annual production of 200,000 tons.

The question of coal supplies is apparently receiving the serious attention of the Japanese authorities, consequently it is believed that Central China deposits will be rapidly developed. Japan's principal imports of coal from China south of the Great Wall come, at the present time, from the British controlled Kailan mines near Tientsin.

Chinese Maritime Customs statistics show that approximately 1,990,000 tons of coal were exported to the Japanese Empire from China during the first nine months of 1939, as compared with 860,000 during the same period in 1936.

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\*Chinese Year Book, 1938-39 and 1937 issues.

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The Central China share of the recent exports cannot be determined, however, as the declared exports of coal to Japan through Shanghai are not large. It is believed that, as in the case of iron ores, considerable quantities of unrecorded coal are being shipped to Japan.

Salt.

Exclusive Japanese exploitation of salt fields in Central China was assured by the formation on August 21, 1939, of the Central China Salt Industry Company. This company is capitalized at Yen 5,000,000, of which Yen 1,250,000 is paid up. Yen 2,000,000 is assigned to the Central China Development Company and Yen 500,000 to "others", understood in this instance to be the Dai Nippon Salt Company. Yen 2,500,000 is listed as a Chinese cash contribution, stated to have been made by the "Reformed Government."\* No contribution in kind is listed.

The first objective of this organization is the development of the Haichow (Lianghuai) salt fields in Northern Kiangsu.\*\* Future operations in the Sungkiang (Southern Kiangsu) and Liangoneh (Chekiang) salt areas, formerly important producing centers, may be expected if occupation can be completed. Other important Central China salt districts are in Anhwei and Hupeh.

Although the Chinese salt revenues are security for the Anglo-French loan of 1908, the Crisp loan of 1912, the Vickers-Marconi loan (1936 settlement), the Chicago Continental Bank loan (1937 settlement), and the Pacific Development loan (1937 settlement), the foreign interest

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\* Tairiku Shimpo, August 20, 1939.

\*\*See Shanghai despatch no. 2089, April 1, 1939,  
"Expansion of Scope of Central China Development Co."

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in these revenues has thus far been ignored by the Japanese.

Silk.

The Central China Silk Company was organized in August 1938 for the purpose of controlling the silk industry in Kiangsu and Chekiang Provinces in all its phases, that is, the production and distribution of silk-worm eggs, distribution of cocoons, the manufacture, buying and selling of raw silk, export control, and all affairs related to the management of the business - a perfect example of vertical control of an industry. The basis for this monopoly was provided in an order issued by the Ministry of Industry directing, as from October 1, 1938, a licensing system for silk production, machine silk reeling and cocoon transactions, and in an order of the same organ dated January 23, 1939, designating the Central China Silk Company as the sole company to be engaged in silk reeling and cocoon production.\*

This concern is capitalized at Yen 10,000,000 (originally Yen 8,000,000), of which Yen 6,422,000 is paid up. Yen 2,000,000 is assigned to the Central China Development Company, and Yen 5,144,000 to other Japanese interests. Japanese firms participating in this enterprise are reported to be the Katakura Silk Reeling Company, Gunze Filature Company, Kanegafuchi Cotton Spinning Company, and the Mitsui and Mitsubishi interests.\*\* The Chinese contribution is listed as Yen 2,844,000, representing the assigned value of cooperating filatures; the cash investment by Chinese is Yen 12,000.

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\*Nanking Government Gazette no. 38, January 23, 1939.  
\*\*See Shanghai's report dated December 30, 1938,  
"Japanese interest in Central China Silk Industry."

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In August 1937 there were 44 Chinese silk filatures at Shanghai, with approximately 10,086 reeling machines. 34 mills, having 6800 reeling machines, were completely destroyed during hostilities, a loss estimated at \$20,000,000.\* Ten Chinese mills, having approximately 2500 machines, remained intact. With the construction of new filatures in the concessions there are now 35 Chinese mills in operating condition, having approximately 6200 reeling machines.\*\*

The first move of the Japanese in their endeavor to control silk production was the wholesale seizure of Chinese silk filatures. Five mills in Wusih, two in Soochow, and one in Hangchow were to be taken over by the Central China Sericultural Association, the forerunner of the present company. Prior to hostilities there were over 50 silk filatures employing 13,000 reeling machines in operation at Wusih, of which ten were burned and plundered, while a number of others suffered heavy damage.\*\*\* Soochow and Hangchow, with a smaller number of mills, had much the same experience. The Central China Silk Company now operates 10 mills in Wusih, 3 in Hangchow, and 2 in Soochow, with a total of 4752 reeling machines. These are the only filatures which have been established in these places, under the licensing system enforced by the monopoly. However, many small filatures are reported as operating in country districts near these cities, where Japanese control is not effective. Former Chinese mills in Huchow,

Kashing

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\*Kincheng Bank Survey.

\*\*China News & Views Digest, August 31, 1939. Kincheng Bank figures are approximately the same.

\*\*\*CHINA PRESS, October 22, 1938.

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Kashing, Haining and Tehching are expected to reopen under the Japanese company.

The Japanese approach to control of filatures around Shanghai has been conditioned by the existence of the foreign protected areas. Finding it impracticable to confiscate Chinese mills at Shanghai, the Central China Silk Company undertook to control the purchase and distribution of cocoon supplies from the interior in order to strangle the local filatures. The monopoly attempted, beginning with the spring cocoon crop of this year, to force the sale to it of all supplies of cocoons, collections being made in the villages. This move was unsuccessful due to the unwillingness of farmers and silk hongts to sell at fixed prices, coupled with effective guerrilla activity directed against cooperating silk hongts in Chekiang. The monopoly then gave the filatures permission to purchase cocoons in the interior, but required the registration of silk hongts, with the payment of a \$3.00 per picul "deposit" as well as a \$6.00 per picul tax for "improvement of the mulberry tree."\* Stocks of cocoons in the interior purchased by Shanghai filatures but not moved were meanwhile mounting, with no permission to move them being granted. Finding its own supplies insufficient, the monopoly at this point offered to permit the transportation to Shanghai of these cocoons on conditions that fifty percent of all shipments would be sold to the Central China Silk Company, payment to be made in the new Hua Hsing currency. As their purchases had been made in national

currency,

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\*SHUN PAO, May 13, 1939.



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currency, most of the local mills were unwilling to accept this arrangement and it was reported that as late as mid-August most of the cocoons purchased by these mills were still in the interior.\* Meanwhile many Shanghai silk mills were forced to close down for lack of raw materials and by the middle of September only 16 mills were operating.\*\* Foreign cocoon buyers have been faced with similar obstacles. British, American, Italian and Portuguese cocoon merchants, after considerable difficulty, obtained permits to proceed to certain villages in the guerrilla areas of Chekiang and Kiangsu, having already obtained purchasing permits from the monopoly. The Japanese intervened, however, when the time for transportation arrived and demanded that one-half of all shipments be sold to the monopoly, with payment to be made in Hua Hsing currency.

As a further measure of control, the "Reformed Government" on September 1, 1939, established a Raw Silk Testing Bureau in Hongkew for the testing of all export silk. As no silk will be allowed Customs clearance without papers issued by this Bureau, there is little doubt that the Bureau will be turned into an instrument of monopoly control. At the present time, Mitsui Bussen Kaisha is handling silk exports on behalf of the monopoly; however, during the first half of the present year Mitsui handled only about 18 percent of Shanghai exports, according to Japanese reports, the remainder being the production of mills

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\*China News & Views Digest, August 31, 1939.  
\*\*CHINA PRESS, September 19, 1939.

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in the International Settlement and exported by foreign firms. Foreign silk exporters in Shanghai state that the Japanese prohibition against shipments of cocoons to Shanghai has been effective since June of this year and that unless the monopoly control is relaxed exports of silk from Shanghai will be on a gradually diminishing scale.

One reason for the urgent measures taken by the monopoly has been the desire to profit from the abnormally high price of silk during the past year. Owing to the destruction of filatures and the difficulty of getting supplies from Chinese-held areas, all materials used in the industry rose in price; freight charges and heavy taxes on cocoons by the Japanese controlled organs have also been reflected in prices of the finished product. For example, the price per picul of white filature silk, which was \$760 in January 1937, increased to \$3,800 per picul in August 1939, a phenomenal rise even when the fall in exchange value of Chinese currency is discounted.

According to the Japanese ORIENTAL ECONOMIST, the Central China Silk Company plans to have 53 filatures in operation at the end of three years, with a total of 10,956 basins and an output of 32,400 piculs annually of raw silk (the annual production in Shanghai before hostilities was approximately 50,000 piculs). Japanese reports state that the monopoly has to date established 129 silkworm experiment stations in Kiangsu and Chekiang Provinces, with a total capacity of 3,375,000 eggs, and controls 214 cocoon honggs in Kiangsu Province and 100

honggs

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hongs in Chekiang Province. According to Chinese sources, the net profit of the Central China Silk Company during 1938 amounted to \$7,000,000. The operation of the monopoly will be subject to Japan's rationalization plans, however, as the silk reeling industry "will be suspended in districts which are not suited to the enterprise or when there is little promise of development." In plain language this means that the Chinese silk industry will not be allowed to conflict in any respect with the Japanese silk industry.

Cotton Milling.

Cotton spinning and weaving is the most important modern industry in China, employing more labor and capital than any other industrial activity. Attracted by cheap labor, the proximity of raw materials and markets, and economies in transportation, the Japanese were early in the field, having an estimated 43 percent of the spindles and 49 percent of the looms in China before their military invasion began. Cotton mills account for a considerable portion of Japanese investments in China, the enterprises have been well conducted and profitable, and it is doubtless for these reasons that the Japanese spinning companies at Shanghai have been able to resist the interference of military economists and bureaucrats. The independence of this industry is in keeping with the reported arrangement whereby Japanese light industry already installed here would continue to be independent, while the Japanese Government and the fighting services would be given

supervision

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supervision of policy companies in the fields of communications, public utilities and the extractive industries.

According to Japanese sources, plans had been made prior to the outbreak of hostilities in 1937 for Japanese cotton mill capacity in China to be increased by 1,033,000 spindles and 12,000 looms.\* Had this plan been carried out, Japanese spindles would have represented 64 percent and Japanese looms 73 percent of the total in China. However, beginning 1936, Chinese capital was in the course of enlarging old mills and constructing new ones in the interior. Chinese plans called for an approximate 100 percent increase in plant equipment within three years. The outbreak of war found 90 percent of Chinese cotton mill production and capital concentrated along the seacoast, all of which, with the exception of the mills located in the foreign concessions and those destroyed, fell into the hands of the Japanese. In certain instances "protection and cooperation" was offered to Chinese mill-owners; however, only four Chinese mills are reported to have accepted the Japanese plan. Following military occupation, the Japanese Mill-Owners Association petitioned the Japanese naval and military authorities for permission to manage Chinese mills in occupied areas. This permission was granted and the mills distributed by the Special Service Section of the Japanese armed forces.

The following figures show the pre-hostilities condition of the cotton spinning industry in Central China.\*\*

Chinese

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\*TAIRIKI SHIMBUN, September 11, 1939.

\*\*FINANCE & COMMERCE, June 7, 1939, quoting Chinese trade sources.

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Chinese Mills

	<u>Number</u>	<u>Spindles</u>	<u>Looms</u>
Shanghai	31	1,114,408	8,754
Kiangsu Province (outside Shanghai)	23	615,548	7,288
Chekiang Province	3	58,120	672
Total	57	1,788,076	16,714
Hupei Province	7	314,472	3,259
Anhui Province	1	18,400	---
Kiangsu Province	1	20,480	---

Japanese Mills

Shanghai	30	1,331,412	17,283
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British Mills

Shanghai	4	221,336	4,021
Shanghai total	65	2,667,156	30,058

At present the following number of former Chinese mills are under the control of the Japanese:\*

	<u>Number</u>	<u>Spindles</u>	<u>Looms</u>
Shanghai	18	736,116	6,497
Kiangsu Province	20	535,948	6,593
Chekiang-Anhui	2	38,770	672
Total	40	1,310,834	13,762

Not all of the above mills are operated by the Japanese at the present time. A Japanese source states that 500,000 spindles and 3,000 looms in Chinese plants were completely destroyed and that, of the damaged remainder, some 610,000 spindles and 5,300 looms can be repaired and operated.\*\* A few Chinese plants have been turned over to third-power nationals and others have not yet been restored to their pre-hostilities operating condition. According to the ORIENTAL ECONOMIST (November 1938), the distribution of Chinese mills (by the Japanese Special Service Section because of "noncooperation" by owners)

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\*FINANCE & COMMERCE, June 7, 1939, quoting Chinese trade sources.

\*\*TAIRIKU SHIMBUN, September 11, 1939.

was as follows:

<u>Japanese Company</u>	<u>Chinese Mill</u>	<u>Spindles</u>	<u>Location</u>
Toyoda	Chen Tai	24,000	Chapei
"	Wei Tung	33,024	Yangtzepoo
Japan-China	Wing On No. 1	48,616	"
"	Heng Ta	15,000	Pootung
Shanghai	Sung Sing No. 6	73,000	Yangtzepoo
Yue Foong	Wing On No. 2	50,000	Woosung
"	Wing On No. 4	74,000	"
"	Ting Hsing	32,000	Chapei
"	Ta Foong	30,000	"
"	Heng Foong	54,544	Yangtzepoo
Chung Yuen	Sung Sing No. 7	59,848	"
	Total	494,032	

In addition, this report states, the Ka Loong Mill at Kiating, with 12,000 spindles, was to be given to the Japan-China Spinning Company; and the Soo Lung mill in Soochow, with 51,368 spindles, to the Naigai Wata Kaisha. Other factories taken over by the Japanese in Kiangsu Province were: Wusih, 3 (damaged); Changchow, 2; Nantungchow, 2; Tsungming Island, 2; and one each at Chitung, Haimen, Taitsang, Changshu and Kiangyin. Of the 7 mills in Hupeh Province, approximately 150,000 spindles are reported to have been moved up-river, while 88,000 spindles were transferred to foreign interests.\* One mill at Wuhu, having 18,000 spindles, now has joint Sino-Japanese operation. The transfer of other mills has been attempted by Chinese, including 5 mills taken over by British interests, but it is understood that the Japanese authorities are disputing the change in nationality.

The latest available figures concerning actual cotton mill operations in Shanghai are as follows:\*\*

Spindles

\*FAR EASTERN ENGINEER, June 1939.  
 \*\*Kincheng Bank Survey.

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	<u>Spindles</u>	<u>Looms</u>	<u>Monthly output of cotton yarn</u>	<u>Monthly output of cotton cloth</u>
Chinese	446,217	1,436	25,907	72,804
Japanese	1,172,000	15,800	50,120	1,192,000
seized from) Chinese )	292,472	2,954	14,320	120,000
British	164,976	4,288	5,230	252,270
Total	<u>2,075,665</u>	<u>24,478</u>	<u>95,677</u>	<u>1,564,270</u>

It will be seen from a comparison of figures that, although the spindlage of Japanese mills is below the 1937 figure, if the seized Chinese mills are included the Japanese controlled spindlage in operation here is half again the pre-hostilities amount. Based upon operating figures alone, the Japanese share of spindlage has risen from about 50 percent in 1937 to 70 percent in 1939. Chinese operated spindles are approximately 40 percent of their 1937 figure, and now account for only 22 percent of the total number in operation. On both sides there has been a considerable movement of machinery to restore and augment mill capacity; some machinery was brought into the concessions at Shanghai by Chinese and is now used in their mills, while Japanese factories have transferred equipment from damaged Chinese mills and from idle plants in Japan.

Japanese cotton mills have profited considerably from the renewed industrial activity in Shanghai, bringing with it an increased demand and higher prices for cotton cloth. A sharp rise in production took place in January 1939, when the consumption of raw cotton was 95 percent of the average monthly consumption in 1936. Although the Chinese cotton spinning industry in Shanghai has fared better than any other since the Japanese occupation, its future is uncertain as the fall in the exchange

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exchange value of Chinese currency has made foreign imports almost prohibitively high, and Japanese restrictions on raw cotton movements from the interior and from North China have drastically reduced supplies from these sources. Additional repressive measures have been put into force by the Japanese in the form of transit taxes and miscellaneous levies. For example, the recent transportation cost of one picul of cotton from Nantungchow to Shanghai was Chinese \$18, whereas it formerly cost \$3.00. Should trade control measures be instituted at Shanghai by the Japanese, with the consequent monopoly of raw cotton supplies, Chinese and foreign manufacturers here will be effectively throttled.

The formation by Japanese of a cotton exchange in Shanghai has been reported recently. This move is regarded as an attempt by the Japanese to enlist inactive Chinese cotton brokers, who have been unable to make a satisfactory arrangement with the Chinese National Government for the reopening of the Shanghai Cotton Exchange.

Eggs and Egg Products.

A good example of the operation of an informal Japanese monopoly is found in the export trade in eggs and egg products. Shanghai egg packers and exporters have long obtained their principal supplies from five sources: North Kiangsu, the Yangtze basin, East Chekiang, and markets along the Tientsin-Pukow and Shanghai-Hangchow Railroads. With the loss of many producing areas to the Shanghai market because of hostilities, the price



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price of eggs has soared to the highest level in history, a fact which has not escaped the attention of the Japanese. The processing of eggs for export from Central China has in the past been handled by a few large British, Chinese and American firms. However, it became apparent early in 1939 that the Japanese military authorities had awarded the monopoly of this important industry to the Mitsui Bussan Kaisha. Late in 1938 this company, in preparation for the spring packing season, built an egg freezing plant at Shanghai. Following the Japanese occupation of buying areas American export firms accepted the necessary procedure of working through small Japanese firms or agents to obtain the required buying permits; these permits, to be effective, must be stamped by the Japanese Egg Guild, the Asia Development Board, and lastly the Mitsui Bussan Kaisha, the monopoly company. In addition, military passes for shipment to Shanghai must be obtained. In order to ensure control the Japanese enforced the requirement that all passes issued for eggs originating from Japanese shipping points (which serve 80 percent of the egg-producing areas in Central China) must stipulate that the eggs were being shipped to the Mitsui Bussan Kaisha. Again, egg shipments must be made by Japanese vessels and be covered by the designation "military supplies." As a final measure, a tax of Yen 2.00 and a "procedure fee" of Yen 0.30 per basket is collected upon arrival at Shanghai. Meanwhile, the Mitsui Bussan Kaisha had "persuaded" the large Chinese egg concern, China Egg Produce Company, Ltd., with plants at Tsingtao and Shanghai, to cooperate on an equal share basis. By this move the Japanese firm secured its first outlets

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outlets abroad for egg products and, using the customary monopoly tactics, has been underselling its competitors in these markets. Even more direct action was taken in October, when supplies of eggs destined for American and foreign exporters in Shanghai were seized, presumably under orders of the Japanese military authorities, and delivered to the Mitsui Bussan Kaisha. Some of these cases involving confiscation were adjusted by negotiations. With continued confiscation of their supplies at Shanghai, foreign companies are faced with the total loss of their interests in this industry, built up over a long period of years.

Flour Milling.

Prior to the outbreak of hostilities there were 12 Chinese flour mills in Shanghai, with a total production in 1935 of 31,173,934 bags of flour, representing 42 percent of the total wheat flour output in China. Six Chinese mills, all in the foreign concessions, resumed operations in 1938, the remainder, as was the case with mills in the interior, were either destroyed or seized by the Japanese.\* Five Chinese mills at Shanghai were in the Japanese occupied areas; four of these are still closed, while one is now operated by the Japanese. A total of nine mills are now operated by Japanese in the interior, at Soochow, Wusih, Chinkiang, Yangchow and Nanking, most of which are identifiable as Chinese property.

The total production of flour in Shanghai during 1938 was approximately 10,000,000 bags, or about

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\*Kinchen Bank Survey.

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one-third the pre-hostilities amount. The future of Chinese mills is far from assured because of growing difficulties in obtaining wheat, as a result of the Japanese prohibition against transporting interior wheat to Shanghai, and new difficulties in transportation of flour to markets. According to Japanese reports,\* the total Japanese production daily in Central China during June 1939 was 66,000 bags, indicating rapid progress in this industry, which was wrenched bodily from the Chinese. Chinese properties taken over are said to have been distributed by the Special Service Section to the three large Japanese flour milling concerns in Japan, the Nisshin, Nitto and Nippon companies.

Wheat flour was placed on the import free list in the "1938" tariff, although the immediate gains to Japanese millers by this exemption have been disappointing, as the import of foreign wheat into Japan has been drastically reduced as a war-time measure. Meanwhile, American and Australian wheat has continued to be imported at Shanghai.

Tea.

The Shanghai TAIRIKU SHIMBUN recently reported that the sale and transportation of tea in the Hangchow area have been put under the control of the Central China Native Products Association, an organization established by Japanese tea interests. The association is said to have collected 17,000 piculs of tea during the first

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\*Kincheng Bank Survey.

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three months of the new tea season, as compared with 180,000 piculs collected by Chinese merchants. According to the same source, a Wuhan tea corporation, capitalized at Yen 3,000,000, has been established in Hankow by the Mitsui and Mitsubishi interests to control the tea trade in Hupeh Province.

Fresh Produce and Livestock.

Where it is impracticable for the Japanese to take over such an industry bodily, as in the case of the retailing of fresh vegetables and produce, the commerce is organized and taxed. A "Shanghai Central Fruit and Produce Market" was organized by the Japanese sponsored municipal government in June 1939, to control the supplies of vegetables, fruits and poultry in Shanghai. This organization is capitalized at \$1,000,000, and its principal market is located in the former Chinese Joint Savings Bank godown on Soochow Creek, branch markets being located in the Tsackadoo, Zikawei, Louza and Marché de l'Est districts. Registration of water craft bringing market supplies to Shanghai is required. Fresh produce coming into Shanghai must pass an octroi at one of the three points where entry is allowed, and a tax paid. As a further measure of control, retail dealers must register with the market, a fee being paid therefor. It need hardly be pointed out that supplies of fresh foodstuffs in the foreign settlements are thus completely under Japanese control and may be taxed or restricted at will. As in the case of the fish monopoly here, Chinese merchants at first refused to join the market, but eventually were forced to capitulate.

Control

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Control of livestock and meat slaughtering has already been assured with the formation in April 1939, without formal procedure, of the Shanghai Livestock Market in Hongkew. At that time it was announced that this market would be the sole agency for the transportation and sale of livestock, and that registration with the market of all dealers and transportation services would be required.

The first measure taken was to require that all pigs destined for Shanghai pass through the market in Hongkew and pay a tax of \$2.00 per head. Upon the success of this move, cattle and poultry arriving at Shanghai from the interior were subjected to a similar procedure. A provisional arrangement is reported, whereby all cattle will be slaughtered in the concessions, upon the condition that the hides be sold to the Japanese military authorities at prices fixed by the latter. The following levies are reported as charged by the Shanghai Livestock Market on various livestock:\*

	<u>Market Dues</u>	<u>Commission</u>
Cows	Yen 2.00 per head	Yen 0.40
Pigs	Yen 2.00 " "	Yen 0.60
Chickens and ducks	2% of value of 100 catties	Yen 0.40 on same
Sheep	Yen 0.50 per head	Yen 0.20 per head

An additional regulation has since been enforced requiring livestock dealers to ship by Japanese vessels, in transportation from the interior to Shanghai.

Cigarettes.

Shanghai cigarette production before hostilities accounted for over 80 percent of the total for China. At

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\*Shanghai Municipal Police Report (confidential).

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At that time there were 31 Chinese factories with a total of 346 rolling machines in operation.

In this Shanghai industry, as in that of flour milling and egg products, the Japanese interest originally was slight. By means of factory seizures and leaf tobacco control, however, Japanese interests are well on the road to control of the Chinese industry and, if recent Manchurian and North China developments are carried to their logical conclusion, may be expected eventually to oust foreign tobacco companies as well. Of the 31 Shanghai Chinese factories, 18 were located in Hongkew. The factories not destroyed were seized by the Japanese, as most of the companies refused the open-faced Japanese cooperative plan. The Nanyang Bros. Tobacco Company, the largest Chinese company, was badly damaged and, following repairs, is now used as a Japanese post office. The total direct losses of the industry at Shanghai have been estimated at \$10,000,000, including leaf tobacco damaged or confiscated.\* Japanese companies are reported to be operating seven of the former Chinese factories at the present time. The Japanese Toa Tobacco Company and the Toyo Tobacco Companies, believed to be in line for the eventual tobacco monopoly here, have received the lion's share of Chinese plant and equipment and are now engaged in dumping cigarettes in the occupied areas.

Nineteen Chinese factories, some of which were new, were operating in the foreign concessions during 1938, although production had been considerably curtailed. Japanese control of domestic leaf sources, the high price of imported leaf due to the fall in exchange, and  
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\*Kincheng Bank Survey.

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the loss of markets to Japanese companies and the British American Tobacco Company have caused a continuation of this curtailment. The large leaf markets at Hsuehchong and Tsingchow are now firmly controlled by the Japanese, and most of the Chinese factories will be forced to close down when present stocks are exhausted.

The chief means of Japanese control of the tobacco industry is in the purchase of domestic leaf in the interior. Foreign buyers, both for manufacture in China and for export, have thus far in large measure been denied access to tobacco producing regions in Central China. Military passes have been refused to employees of the large foreign firms even for purposes of property inspection. The basis for refusal has been the peril to life because of military operations, although it is known that Japanese buyers have been continuously active in the producing areas and Japanese shipments to Shanghai from the interior are being constantly made.

Cement.

The production of cement has for sometime received the special attention of the Japanese. Their control of the small cement industry in Central China was assured by the assignment by the Special Service Section to "joint Sino-Japanese" enterprises of the two large cement plants at Lunghwa and Lungtan. The Shanghai Cement Company works at Lunghwa has been placed under the direction of the Onoda Portland Cement Company, which operates a large plant in Dairen; this product is to be marketed by the Mitsui Bussan Kaisha. The China Cement Company at Lungtan, near Nanking, is to be controlled by the

Iwaki

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Iwaki Cement Company, sales being handled by the Mitsubishi Shoji Kaisha. Both Chinese companies were capitalized at \$2,000,000, and production at each plant was formerly 10,000 tons monthly.\*

#### Shipbuilding.

In 1937 there were 18 Chinese shipbuilding and engineering companies at Shanghai, with a total capitalization of Chinese \$17,000,000.\* The largest of these, the government-owned Kiangnan Dock & Engineering Works, capitalized at \$15,000,000, was handed over to the Mitsubishi Steamship Company following the retreat of the Chinese forces from Shanghai. This plant is now in operation for the repair of Japanese military vessels, machinery from three other Chinese plants having been added to its equipment. The shipbuilding and engineering works of the Kung Mow and Chung How Companies are also used by Japanese as repair bases for military craft. Plants belonging to the China Merchants Steam Navigation Company, the Heng Chong Chang and Cha Lee Companies were placed under the control of the Nisshin Shipbuilding Works at Pootung. With the exception of the Wha I plant, which is cooperating with the Japanese, and one plant operating under a foreign flag, all former Chinese shipbuilding works are closed.

#### Other Industries.

It is no exaggeration to say that every organized industry in the lower Yangtze Valley has either been  
monopolized

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\*CHINA WEEKLY REVIEW, June 4, 1938.

\*\*Kincheng Bank Survey.



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monopolized by Japanese interests or is so controlled by them and their puppets as to have the same effect. Rice is the commodity of greatest use which is still nominally free, yet even here transportation is under strict military control, resulting in a Shanghai price for this staple double that in interior cities. The purchase and transportation of rice is handled largely by agents of the Mitsubishi and Mitsui trading companies. The price of rice recently reached an all-time high for Shanghai, being quoted at Chinese \$49 per picul of 170 pounds.

Japanese entry into a number of other economic fields has been announced although little can be learned regarding these enterprises. The formation of a Central China Match Company, capitalized at Yen 3,000,000, was reported in December 1938.

References are occasionally made to a Central China Motion Picture Company (propaganda films), a Central China Publishing Company (possibly using Chinese textbook plates seized from Chinese plants), and a Central China Artesian Well Company. Other industries in this region, many of them in the infant stage, have been taken over by Japanese companies; the Pukow Chemical Works, formerly under the control of the Chinese Government, is operated by the Oriental Industrial Company; three other chemical and alcohol plants, three paper mills, two paint factories, two woolen mills, two lumber yards, two dyeing and weaving plants, and factories producing variously enamel ware, rubber goods, vegetable oil, electrical supplies, and soap are reported as occupied.\*

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\*Shun Pao, December 27, 1938.

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The question of an oil monopoly, of particular interest to American companies, has not yet been raised but that it will eventually be attempted can be forecast from the experience of foreign oil firms in Manchuria and the more recent activity of the Japanese Federation of Petroleum Companies in North China.

Export Trade.

The export of Central China raw materials of interest to American trade and industry is firmly controlled by the Japanese military authorities in the Yangtze Valley. The activities of American and other foreign exporters have been limited to obtaining permission to remove old stocks of wood oil, ramie, bristles, and skins, all of these commodities being placed on a so-called restricted list of exports. Such shipments as have been arranged have necessitated prolonged negotiation ending in a devious "wash sale" whereby, to satisfy the military authorities, title is temporarily transferred to Japanese brokers, the cargo being shipped to Shanghai on a Japanese vessel and insured with a Japanese company. In the few instances where new buying has been effected by foreign companies at Shanghai the procedure has been equally cumbersome. The present numerous restrictions may be considered as temporary only in so far as they obstruct foreign trade while formal export control measures are being devised. Future control in one form or another of bristles, ramie, wood oil, egg products, tea, hides and skins, oil seeds, embroideries, and possibly even tungsten and antimony may be expected, with American industry dependent on Japanese authority

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for its supplies of these commodities from China.

Import Trade.

Japan's share in the import trade of this region has been relatively smaller than in North China owing to the considerable value of independent trade at Shanghai. Even at Shanghai, however, the modest Japanese part in the total trade - approximately 18 percent for the first nine months of 1939 - disguises the comparatively large increase in the sale of Japanese industrial goods. A recent article in the CHINA WEEKLY REVIEW (American) of November 11, 1939, sets forth in detail the comparative Japanese advance in certain commodity groups. If the abnormally large imports of raw cotton and cereals during the present year are excepted, Japan's import share in the trade of Shanghai would rise to approximately 27 percent of the total. Moreover, the Japanese imports which underwent a decrease or a slight increase only, such as textiles and metals, were commodities which Japan was unable to export to Shanghai in the pre-war quantities. Some of the more important increases in the Japanese Empire's share of trade at Shanghai for the January-September period in 1939, as compared with the same period in 1936, are as follows:

	<u>1936</u>	<u>1939</u>
Paper and wood pulp . . . . .	10.0	36.5
Paper boards . . . . .	3.6	54.9
Chinaware, glass . . . . .	20.2	71.4
Office supplies . . . . .	32.5	62.2
Photographic plates, films, etc. . . . .	1.1	26.3
Perfumery and cosmetics . . . . .	10.0	42.0
Chemicals and pharmaceuticals . . . . .	19.3	26.3
Sugar . . . . .	27.2	36.7
Scientific instruments . . . . .	6.0	30.0

Electric

	<u>1936</u>	<u>1939</u>
Electric bulbs . . . . .	36.5	82.0
Cutlery . . . . .	30.0	50.0
Woodware . . . . .	13.0	57.0
Machinery and tools . . . . .	25.6	38.2

The above import advances would indicate that Japan is, without the use of extreme control measures, fast assuming a predominant trade position at Shanghai in the fields where recurring demand may be expected.

Customs and Tariff.

In the occupied ports Japanese control of the Chinese Maritime Customs, because of the foreign interest and personnel involved, has not been as absolute as that exercised over other governmental organs. However, the deposit of Customs revenues in the Yokohama Specie Bank, the promulgation of a revised tariff, and the acceptance of the Hua Hsing dollar as legal tender in the payment of Customs duties, may be regarded as progressive steps toward complete control of this organization, possibly by a new "Central Government" at Nanking.

Japan had often expressed strong dissatisfaction with the Chinese Tariff of 1934 as unfavorable to Japanese trade and industry. A "Revised Tariff of 1938" was enforced in the occupied areas of China on June 1, 1938, to supersede the Tariff of 1934 with the stated object of reducing "unreasonable and unsuitable" tariff rates, bringing duties generally down to the level of the 1931 tariff.\*

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\*See Shanghai's despatch to the Embassy at Tokyo, dated October 20, 1938, "The '1938' Tariff Enforced at Shanghai."

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The principal effect of the new tariff has been to facilitate the importation of Japanese construction machinery, textiles and general merchandise, and the exportation to Japan of agricultural products and minerals. Sharp reductions in import duties on leading Japanese products were thus effected, while the duties on certain articles prominently supplied by Japan were reduced even below the 1931 tariff level, notably woolen piece goods, artificial silk floss and yarn, iron and steel products, fresh and salt fish, seaweed, tea, chinaware, newsprint paper, and fertilizers. It was estimated by this Consulate General, in a study of the effect of the new tariff on American trade, that Japanese trade in the commodities reduced below the 1931 tariff level was, in 1936, nine and one-half times the American trade in the same commodities during the same period. Moreover, an import free list (said to be temporary) was promulgated which included all types of mining machinery and accessory tools used in mineral production. The connection of this duty exemption with the monopoly mining companies in Central China is too obvious for comment except for the observation that, in so far as it is available, the machinery imported for use by these companies will be made in Japanese factories.

The revised export free list included mineral ores, iron and manufactures thereof, raw cotton and linseed. The duties on certain other commodities desired by Japan, such as cotton waste, hemp, jute, ramie, and all types of raw wool, were reduced by approximately one-half.

Currency

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Currency.

While the Japanese sponsored currencies have hitherto had little circulation in Shanghai, considerable amounts of military notes, Japanese yen and even Federal Reserve notes have been forced into circulation in the interior, military notes through Japanese military purchases, and yen in collection of railway and freight charges by Japanese agencies. This circumstance has led to chaotic conditions in financial transactions and has operated as a particularly heavy handicap to American and other non-Japanese merchants attempting to buy or sell in the interior. Moreover, the control by Japanese of all banking facilities outside Shanghai, meager at best, has disrupted the credit and remittance procedure of third-power traders.

Their unfortunate experience with Federal Reserve Bank currency in North China is believed to have deterred the Japanese from the hasty introduction of a new "official" currency in Central China. The new currency is not aligned with the yen and according to Japanese sources no yen reserves are used as foreign currency backing for its notes. In establishing the Hua Hsing Commercial Bank it was apparently intended to prepare the ground for the gradual introduction of a new currency here, a supposition which has been borne out by its subsequent history.

The Hua Hsing Commercial Bank was established on May 1, 1939, its announced functions being to engage in a general banking business, to deal in foreign currencies, and to issue notes freely convertible into

foreign

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foreign currencies and the Chinese dollar. Foreign currency and bullion reserves at no time are to be less than 60 percent of the notes issued. The bank's capital is stated to be \$50,000,000, fully paid up, of which one-half is understood to have been subscribed by six leading Japanese banks, and one-half by the "Reformed Government" (said to have been effected through a loan from the Japanese banks). Its vice president is I. Washio, formerly a director of the Central Bank of Manchou. According to recent press reports, Liang Hung-chih, President of the Executive Yuan at Nanking, has been appointed president by the "Reformed Government." Governmental sanction for the establishment of this bank was given in an order of the Executive Yuan of the "Reformed Government" dated April 22, 1939, promulgating provisional regulations which fix the scope, capital, and the number and functions of officers of the company.\* In addition it is provided that "the Hua Hsing Commercial Bank may, at the request of the Government, act as its agent to handle the whole or a part of the affairs pertaining to the national treasury and national debt." A further article provides that the approval of the Government must be obtained for any revision of the regulations or by-laws of the company.

Despite Japanese denials, these regulations make it appear probable that the bank's eventual function is to act as a central bank for the Nanking regime.

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\*See Shanghai's despatch no. 2194, May 15, 1939, "Hua Hsing Commercial Bank."

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Japanese announcements concerning the new bank have also denied that the new currency is to be used for raids on the Chinese dollar. The Japanese vice president of the bank is quoted as stating that "notes of this bank will never be 'combative money'", and that the aim is "concurrent note circulation" which can step in when the Chinese dollar collapses.\* In other words, the strategy to be used is not "attack" but "absorption." However, other statements from the bank have been disregarded. Upon the first issuance of its notes the bank announced that they would be freely interchangeable at par with Chinese notes, but with the sharp break in the Chinese dollar in July this promise was ignored and the exchange value of the Hua Hsing dollar fixed at 6d. From September 1 Customs duties and fees have been collected at Shanghai on the basis of the Hua Hsing dollar, Chinese standard dollars being accepted only at the cross-rate notified to the Customs by the Hua Hsing Bank. The latest measure looking toward forced circulation of the notes is contained in a notification from the local Superintendent of Customs to the foreign Consuls, made at the behest of the "Reformed Government", that any importation or exportation of bank notes must have the sanction of the Maritime Customs.

The central problem of the bank has been the matter of getting its notes into circulation. The commercial use of the currency thus far has been relatively small. A certain quantity of notes have been advanced as loans to cocoon buyers who have passed them on to helpless farmers,

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\*ORIENTAL ECONOMIST, July 1939.



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farmers, who in turn have used them to pay off taxes and levies of the puppet organizations. Although the "Reformed Government" has been the bank's chief depositor, with an initial non-interest-bearing deposit of Chinese \$12,000,000, a large share of its recent in-payments is understood to have consisted of the new notes. Moreover, payment of official salaries in the new currency has, according to reports, been curtailed, thus reducing the possibilities of circulation through government withdrawals. The liquidation of Customs duties on Hus Hsing notes, made permissible after September 1, 1939, accounted for a large proportion of the notes in circulation, amounting on September 20 to approximately 40 percent of the total note issue of \$3,291,126.60

It is believed by many foreign observers here that a large circulation of Hua Hsing notes, as well as necessary foreign exchange for backing them, can be attained only through the purchase of export goods, and that this will entail trade control measures similar to those in use in North China and Manchuria, with the sale to this bank of all export bills. In view of Shanghai's huge import balance, it is likely that exports will be insufficient for this purpose, thus necessitating the next measure - rigid import control. Foreign business men here fear that if and when the Yangtze River is opened to international trade, complete trade and exchange control, for which the new bank will be the ready instrument, will be enforced.

Methods.

The methods of economic penetration and control used

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by the Japanese in Central China may be considered under two general heading: (1) provisional and, (2) basic. The temporary expedients employed thus far have been numerous and, on occasion, confusing, but all have had as their aim the obstruction of third-power trade and the furthering of Japanese domination of industry and trade. Provisional measures have hitherto been suitable for Japanese purposes, since they could be explained to outside powers as being due to military necessity and, if mistaken, they could be easily changed. The principal devices hitherto employed, either directly or through puppet organizations, to meet the immediate situation are:

1. Control of communications, either through passes for travel and transport of goods or through actual closure.
2. Detention and refusal of Customs clearance papers for non-Japanese vessels.
3. Requirement of permits for foreign buying in the interior (obtained through Japanese middlemen).
4. Taxes on goods arriving at Shanghai, and transit taxes similar to the outlawed likin.
5. Licenses for the operation of business enterprises (directed chiefly at Chinese).
6. Attempts, as in the case of the Central China Liaison Office of the Asia Development Board, to force registration of trade guilds and their agents.
7. Monopolies, both organized and informal, of industries and staple products.
8. New currency issues and control of banking facilities.
9. Tariff discrimination.
10. Outright confiscation of plants, equipment and commodities.

With the end of the military phase in the lower

Yangtze

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Yangtze Valley, a definite mould for the future economic life of this region is emerging, and when it is fully formed there will be little need for the methods heretofore used. The few basic trade and currency measures enacted thus far have been made to appear tentative, in keeping with the familiar Japanese "step by step" tactics. The monopoly method, however, shows more boldness and in the few instances already described parallels fairly closely its Manchurian precedent: the enactment of a law providing for state regulation of enterprises in a given economic field, and the later designation of a Japanese financed state company to exercise the monopoly rights in question.\* Further refinements of state interference, including capital control, have not yet appeared, although the "Reformed Government" is already a shareholder through property contributions in numerous enterprises. With the establishment of a definitive central government and its recognition by Japan, the extension of formal monopoly grants may be expected, together with the enactment in meticulous legal form of organic trade, exchange, and capital control laws (with Japanese enterprise and currency excluded from their operation), foreign protests against discrimination thereafter being referred to the established "government."

3/ In this connection, the Consulate General has received from a Chinese source a confidential report (the reliability of which cannot be verified) concerning

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\*See Mukden's despatch no. 396, October 5, 1939, "The Economic Policy and Structure of 'Manchukuo.'"

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an agreement said to have been concluded between Mr. Wang Ching-wei and Mr. Kenji Kodama, President of the Central China Development Company, providing for a new economic cooperation plan between Japan and the new regime which Mr. Wang is to represent if and when it is established. According to this agreement, a Sino-Japanese Economic Cooperation Committee will be formed to act as the control organization for various development enterprises which will be granted monopolies in the principal fields of economic activity in China. The committee will function under five geographical departments, one each for Japan, "Manchukuo", Mongolia, North China and Central China. The new plan is similar to present Sino-Japanese "cooperation" schemes, although its scope will be considerably wider. This report, if true, need not be considered accurate in all details and may merely represent tentative proposals made by the Japanese to enlist the interest of Mr. Wang.

Conclusions.

Thus far there has been little positive economic development by Japan of the territory occupied in Central China. Actual cash investments have been small, the capital assets of the new enterprises consisting mainly of Chinese properties either seized or yielded up by their helpless owners. There has been less immediate call for new investment than in North China, because of the rich industrial prizes obtained in this region. Railways are running and public utility services are maintained in the larger cities, fisheries

and

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and commodity sources and mines are being "milked"; and many former Chinese industrial plants are in operation, although below pre-war levels. Generally speaking, however, the quick profit motive is predominant. There is no concrete evidence in works of the much-heralded rehabilitation policy, which would include rural credits and reconstruction loans to farmers. The so-called co-operative ventures are directed solely toward the production of crops needed by Japan or profitable to Japanese traders.

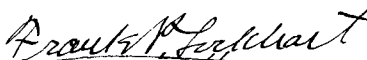
The lack of investment interest in this area is chiefly explained by two factors: (1) owing to military and political considerations the needs of Central China are subject to the prior claims of Manchuria and North China; (2) there is a shortage of Japanese capital for development purposes. Recent Japanese press reports state that a policy of "self-development on the basis of mutual aid" is likely to be followed in the Japanese economic bloc. This means primarily that investment capital for use in China will come only from the profits and resources of the exploited territories, but it also indicates Japan's capital exhaustion. Should Japan fail to enlist the necessary aid of foreign capital for her continental plans, the internal economic life and world trade position of China will continue to deteriorate, with Japan unable to assist development and unwilling to allow third countries to do so. In any event, the western powers having economic interests here will be losers. Not only will future commercial opportunity and investment be reserved for Japanese, but the present

foreign

-60

foreign loan interests in various Chinese revenues, investments in public utilities, shipping and factories, and trade in the special products which China buys and sells may be expected to disappear. The Open Door will be preserved only in the Japanese sense, that is, foreign participation will be permitted in the form of investment under Japanese auspices. Even the possibility of direct trade with Chinese is apparently to be denied under Japanese plans, as there is today no independent Chinese enterprise of any magnitude left in the occupied areas.

Respectfully yours,

  
Frank P. Lockhart  
American Consul General

✓  
Enclosures:

- 1/- Excerpt from article from  
THE CHINA PRESS of March 27, 1938.
- 2/- Translation of item from GOVERNMENT  
GAZETTE no. 29, November 21, 1938.
- 3/- Copy of memorandum concerning Wang  
Ching-wei agreement with Japan.

850  
TLP MB

In Quintuplicate.

- Copy to Embassy, Peiping (by hand via Tokyo).
- Copy to Embassy, Chungking.
- Copy to Embassy, Tokyo (by hand).
- Copy to Consulate General, Mukden (by hand via Tokyo).

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Mildred D. Dunbar NARS. Date 12-12-77

Summary.

Through the medium of the Central China Development Company and twelve subsidiary state companies of the "Reformed Government", Japanese are in complete control of railways, electric power, telecommunications, silk, gas, coal, iron ore, fisheries, motor busses, real estate development, salt and inland navigation in the occupied areas of Central China. In the case of about five of the companies formal monopoly legislation has already been enacted to give a spurious legal facade to the situation. Virtually every other industry, trade channel and commodity source is either already controlled by Japanese or is in process of being taken over by them. The properties of the larger enterprises have been acquired mainly by confiscation and intimidation. The present obstructive measures, applicable only to non-Japanese, are being imposed under the plea of military necessity. A framework is being laid, however, for the introduction later of organic exchange and import-export trade control, at which time foreign capital and enterprises will be confronted with a fait accompli. An increasing employment of monopoly methods already in use in Manchuria may be expected, as well as a concomitant decrease in foreign trade and enterprise. Owing chiefly to lack of capital, little actual development of industries has taken place except in the case of strategic materials needed by Japan, activity being limited to confiscation and operation of going concerns. Unless

Japan

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quastler NARS, Date 12-18-75

Japan can obtain the necessary foreign capital for development purposes, the economic position of Central China will continue to deteriorate. In any event, foreign enterprise will be forced out and future foreign investment allowed only under Japanese supervision.



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Enclosure no. 1 to despatch no. 2742 of Frank P. Lockhart, American Consul General at Shanghai, dated December 11, 1939, on the subject: "Japanese Economic Penetration in Central China."

SOURCE: THE CHINA PRESS (American incorporated, Chinese owned), March 27, 1938.

CENTRAL CHINA PROMOTION COMPANY  
(Chushina Shinko Kabushiki Kaisha).

The Central China Promotion Company shall be established in the Central China district on the basis of the Japan-China mutual prosperity principle to attend to the investment in or accommodations of funds to enterprises concerned with the public interest and other enterprises necessary for the industrial development of the district. If necessary, the company is empowered to attend to the management of such enterprises.

1. The proposed company shall be a Japanese judicial person in accordance with the provisions of special law, with its head office to be in Shanghai.

2. The proposed company shall be capitalized at Y.100,000,000 (¥6,000,000) to be furnished by the Japanese Government and Japanese private circles to the amount of Y.50,000,000 (¥3,000,000), respectively.

The capitalization of the proposed company may be increased subject to the approval of the Government.

3. For public investments in the proposed company, a preferred dividend privilege shall be given. The supplementing of profits over a certain fixed period of time and other special treatment measures to guarantee the dividend shall be considered.

ONLY JAPANESE INVESTORS

4. In the initial stage, the investors in the proposed company shall be confined to Japanese interests but, in future, the participation of Chinese and "Manchukuo" interests will be invited. Investments from third countries other than Japan, "Manchukuo" and China shall be recognized in the industrial companies affiliated to the proposed company.

5. The proposed company shall invest in or accommodate funds to the following enterprises:

1. Enterprises relating to traffic, transportation and communications.

2. Enterprises relating to electricity, gas, and water works.

3. Enterprises relating to mining production.

4. Enterprises relating to fisheries.

5. Enterprises

- 2 -

5. Enterprises necessary for the promotion of public interest and industrial development, licensed by the Government.

The proposed company will specialize in investments and or the accommodation of funds, but under special circumstances and subject to the approval of the Japanese Government may attend to the direct management of the foregoing enterprises.

The proposed company shall obtain the approval of the Japanese Government for the establishment of affiliates to operate the foregoing enterprises.

BIG STOCK ISSUE ALLOWED

6. The proposed company is authorized to issue debentures to the value five times as much as its paid-up capitalization. The Government shall consider measures for guaranteeing the payment of capital and interest of such debentures.

7. The proposed company shall have one president and one vice-president, more than three directors, and more than two auditors. The President and Vice-President shall be appointed by the Japanese Government with Imperial approval. Directors shall be named by the general shareholders' meeting with the approval of the Japanese Government.

8. The Japanese Government shall supervise the proposed company by the approval of its plans for investments or accommodation of funds and other important matters for each business year (by methods provided by separate clauses), the establishment of the inspectors' system and orders necessary for military objects or for the attainment of the objectives of the proposed company.

9. The Government shall make efforts to make the new regime Government in Central China if such is created in the business territory of the proposed company in the future, consider special treatment methods for the proposed company and its affiliates.

Separate Clauses:

1. Applications for the approval of plans for the investments or accommodation of funds for each business year of the Central China Promotion Company or for the alterations of such plans shall be submitted to the Government one month prior to the start of the business year concerned or the start of such alternations. When alternations of such plans are simple, simple methods shall be followed.

2. The Japanese Government shall complete the treatment of the plans relating to the Investments or accommodation of funds or their alternations before the start of the business year concerned or the start of such alternations.

Enclosure no. 2 to despatch no. 2743 of Frank P. Lockhart, American Consul General at Shanghai, dated December 11, 1939, on the subject: "Japanese Economic Penetration in Central China."

Translation of an item appearing in GOVERNMENT GAZETTE no. 29 published by the Executive Yuan of the "Reformed Government" at Nanking on November 21, 1938.

REGULATIONS ENACTED BY THE MINISTRY OF INDUSTRY  
GOVERNING THE CENTRAL CHINA WATER AND POWER  
COMPANY, LIMITED.

- Article 1. The Government shall order the Central China Water and Power Company, Limited, to control and operate electricity and water enterprises in Central China. No other new establishment dealing in the same kinds of enterprises as the said Company may be allowed. Concerns dealing in the same kinds of enterprises, which have already been established, shall be incorporated into and placed under the control of the said Company.
- Article 2. Except for special places where extra heat is utilized, dynamos for exclusive use may be installed.
- Article 3. The generating, transmitting and distributing of electricity shall be operated in uniform manner by the Central China Water and Power Company, Limited.
- Article 4. The water-channel enterprise of the Central China Water and Power Company, Limited, may concurrently operate upper and lower channels for the conveyance of water.
- Article 5. The Central China Water and Power Company, Limited, may issue debentures in a sum double the amount of paid-up shares.
- Article 6. The Government may guarantee payment of amortization and interest of debentures of the Central China Water and Power Company, Limited.
- Article 7. The Government exempts the Central China Water and Power Company, Limited, from payment of the following public levies:
1. Customs duties on important machinery and material required for rehabilitation of electricity and water-channel enterprises, but valid for three years only.
  2. Taxes and fees in connection with

-2-

registration of establishment  
of this Company.

3. Local taxes and other public levies  
except the State Revenue.

Article 8. The Central China Water and Power Company, Limited, may with the consent of the Government enter the land of another and conduct an investigation or survey as regards installation of electricity and water works. In addition, it may enter the land of another to do engineering work.

When considered necessary to make repairs or inspection of electricity and water works, the Central China Water and Power Company, Limited, may enter the land or structures where the works are located.

Article 9. If necessary, the Central China Water and Power Company, Limited, may cut down or transplant the trees detrimental to the laying or preservation of cable lines or water-mains.

Article 10. When the Central China Water and Power Company, Limited, deems it necessary to lay cable lines or water-mains on a road, bridge, drain, canal, river, brook, dyke, on or above or below any other type of public land, it may make use of the same provided the previous utility thereof is not impaired and consent is obtained from the party having control thereof.

Article 11. If necessary, the Central China Water and Power Company, Limited, may lay cable lines or water-mains over or under the land of another provided the existing use thereof is not impaired. In addition, it may erect wire supports on another's land where no structures have been built.

Article 12. The Government may issue necessary orders for the public welfare to the Central China Water and Power Company, Limited, or may take necessary measures in connection with its equipment.

The Government may compensate for any damages or losses resulting from the action mentioned in the preceding paragraph.

Article 13. The Central China Water and Power Company, Limited, shall obtain approval from the Government in regard to the following matters:

1.

-3-

1. Modification of any important items in the fixed articles.
2. Selection for appointment or termination of employment of Chairman and Vice-Chairman of the Board of Directors.
3. Resolution concerning amalgamation or dissolution.

APPENDIX.

These Regulations shall be put into effect from the date of promulgation.

Copied by MB

Compared with FC

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

Enclosure no. 3 to despatch no. 2742 of Frank P. Lockhart, American Consul General at Shanghai, dated December 11, 1939, on the subject: "Japanese Economic Penetration in Central China."

Copy

Confidential

Shanghai, November 15, 1939.

WANG CHING-WEI SIGNED ECONOMIC COOPERATION  
TREATY WITH JAPAN.

According to information secured from Wang Ching-wei's secretariat, the ex-Kuomintang leader recently concluded an important treaty with Japan concerning economic cooperation along various lines. The treaty is reported to contain over 100 items and the Japanese who signed the treaty with Wang Ching-wei was represented by Mr. Kodama, Japan's highest financial authority in China and Chairman of the Board of Directors of the Central China Development Company. The treaty provides that there shall be a Sino-Japanese Economic Cooperation Committee to be the highest controlling body of this big economic development scheme. Under this committee there shall be five departments - the Japan Department, the Manchukuo Department, the Mongolian Department, the North China Department and the Central China Department. The leading agricultural industrial, communication and commercial lines of business in these areas shall be assigned to various Sino-Japanese concerns each specializing in a particular line of interest. This Sino-Japanese concern shall enjoy the monopoly right of its sphere of development. For instance, shipping and navigation, air-lines, railway and highway communications, sea-products, cotton, wool, iron, coal, tea, soya beans, rice, silk, wheat, manufactured drugs and all other kinds of resources shall be assigned to these new Sino-Japanese concerns. No other than these monopoly concerns shall be allowed to take part in any of these industries. In the shipping and navigation monopoly the N.Y.K., O.S.K., N.K.K., D.K.K., and the former China Merchants shall be amalgamated into one shipping company to operate in the Far East. All foreign interests will be gradually done away with. Aviation will be controlled by a Sino-Japanese concern called the Chung Hwa Aviation Company. The authorized capital is set at \$50,000,000 of which Japan is to invest \$29,000,000, while China will have only \$21,000,000. Of this \$21,000,000, the Provisional Government of Peiping and Reformed Government of Nanking will each subscribe \$10,000,000, while the Mongolian Government of Kalgan will subscribe the remaining \$1,000,000. Mr. Yen Chia-chi, puppet Finance Minister of Nanking is being considered by Wang Ching-wei as candidate for director-general for the Central China Railway Company so as to be relieved of his present job for Wang Ching-wei's man in the new government.

Copied by MB  
Compared with FC

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By MILTON D. CHASE NARS, Date 12-18-75

February 5 1940

February 5 1940

Clarence E. Gauss, Esquire,  
American Consul General,  
Shanghai, Kiangsu, China.

Sir:

In acknowledging the receipt of the Consulate General's report dated December 11, 1939 entitled "Japanese Economic Penetration in Central China", prepared by Mr. Troy L. Perkins, it is a pleasure to inform you that the Department, in view of its timeliness, the clear and comprehensive manner in which the subject matter is treated, and its value to the Department as a reference, has accorded to it a rating of EXCELLENT.

The contents of this instruction should be brought to the attention of Mr. Perkins.

Very truly yours,

For the Secretary of State:

G. S. Messersmith

CR

FEB 5 1940

793.94/15590-

A-1/C: CHM:MEK  
2/1/40

F/FG





DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quisenberry NARS, Date 12-18-75

COPIES IN PARAGRAPH  
SENT TO WASHINGTON  
IN COMPLIANCE *egz*

*FE*  
*EG*

JR A portion of  
this telegram must  
closely paraphrased be-  
fore being communicated  
to anyone. (br)

**TELEGRAM RECEIVED**

Hong Kong via N. R.

Dated January 11, 1940

FROM Rec'd 11:53 a.m.

Secretary of State  
Washington.

DIVISION OF CONFIDENTIALS  
JAN 18 1940  
*File*

Division of  
FAR EASTERN AFFAIRS  
JAN 11 1940  
Department of State

COPIES IN PARAGRAPH  
SENT TO C.I.T. AND  
M.I.B. IN COMPLIANCE

*egz*

17, January 11, 3 p.m.

*793.94*

(GRAY) Following is paraphrase of telegram just

received by air mail from Reed at Hanoi for the Department.

(END GRAY)

January 9, noon. Referring to my January 2, 4 p.m.,  
there has been repeated bombing by the Japanese. Traffic  
has been disrupted and shippers have been informed that  
from three weeks to one month will elapse before through  
traffic can be restored provided that no further damage is  
caused by the Japanese.

The French Government has according to reports asked  
that protection for the railway be provided by the Chinese  
Government.

Reasonable optimism is expressed by Sheahan that the  
Caobang Road will within one month be functioning. He  
further and confidentially advises me that unless railway  
traffic to Kunming is restored and protected a great part  
of the cargo at Haiphong should be transshipped to Rangoon.

In  
JAN 22 1940  
FILED

793.94/15591

F/FG

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Chas. Jensen NARS, Date 12-18-75

-2- #17, January 11, 3 p.m., from Hong Kong.

In the Indo-China press there has to date been absolutely no reference to the bombing of railway.

Repeated to Chungking and Peiping and Saigon informed.  
By mail to Yunnanfu.

SOUTHARD

RR

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

CONFIDENTIAL

Confidential

PARAPHRASE

A telegram (no. 17) of January 11, 1940, from the American Consul General at Hong Kong transmits a message of January 9 from Consul Reed at Hanoi which reads substantially as follows:

The Japanese have carried on repeated bombing operations (see telegram of January 2 from Consul Reed). Railway traffic has been interrupted. Shippers have been told that provided the Japanese do not damage the railway further it will be from three to four weeks before through traffic can be restored. It is reported that the French Government has asked that the Chinese Government provide protection for the railway. Up to the present time the bombing of the railway has not been referred to in any way in the press of Indochina. Consul Reed has been confidentially informed by Sheahan (American transportation adviser to the Chinese Government) that a large part of the cargo at Haiphong should be transhipped to Rangoon unless railway traffic to Yunnanfu is restored. Sheahan is reasonably optimistic that within a month the Caobang Road will be open to traffic.

793.94/15591

*egc.*  
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FE

NO. 753

ADVISER ON POLITICAL RELATIONS  
MR. HOANBECK  
JAN 18 1940  
DEPARTMENT OF STATE

*FE*  
*AAC*

AMERICAN CONSULATE GENERAL,

Shanghai, China, December 15, 1939

Confidential

Division of  
FAR EASTERN AFFAIRS  
JAN 13 1940  
Department of State

No  
G  
U.S.A.  
Stanton ON 14 MKD  
(in confidence)

793.94

SUBJECT: Situation in the Border Areas of  
Kiangsu, Chekiang and Anhwei Provinces;  
Chinese Regular Units in these Three  
Provinces: Japanese Operations Against  
Chinese Forces.

793.94/15592

THE HONORABLE  
THE SECRETARY OF STATE,  
WASHINGTON.

COPIES SENT TO  
ONE AND MILD.  
*in confidence* EJP

RECEIVED  
DEPARTMENT OF STATE  
7 3 3

SIR:

I have the honor to transmit herewith, as of possible interest to the Department, a confidential report received from the Shanghai Municipal Police regarding the situation in the border areas of the provinces of Kiangsu, Chekiang and Anhwei. As indicated by the covering note, the report is based on information furnished the Shanghai Municipal Police by a Chinese Detective Constable of the Municipal police force who visited the city of Ishing, Kiangsu between November 13 and November 26, 1939.

The report in question mentions specifically the districts of Ishing (宜興), Kiangsu, Liyang (溧陽), Kiangsu, Kwangteh (廣德), Anhwei and Changhsing (長興), Chekiang, located in the border areas where these three provinces converge. The report states that following a lengthy period of chaos occasioned by the Sino-Japanese hostilities, these areas have returned to something approaching

normal

DEPARTMENT OF STATE  
A-M-C  
JAN 23 1940  
ASSISTANT SECRETARY OF STATE

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normal; that the districts mentioned are still under the control of the National Government; that efforts are being made to pacify these areas and that with this end in view the pre-war "Pao Chia" system (a system of mutual guarantees) is being enforced.

It is stated further that three full divisions of National Government troops are operating or are garrisoned in these districts. The divisions in question are identified as the 62nd, 73rd and 108th together with the 33rd Independent Brigade, totalling thirty-five thousand men, equipped with light guns, machine guns and rifles. It is reported further that good discipline is maintained among these troops which has gained for them the support of the local inhabitants. In addition, it is stated that approximately fifty thousand guerrillas have been reorganized into numerous mobile units under the title of "Loyal and Righteous National Salvation Army" (忠義救國軍) and are also operating in these districts.

On the basis of the information contained in the above mentioned report, which is believed to be substantially correct, and from Japanese and other sources, it is believed that the following Chinese regular units are operating in Japanese occupied areas of the provinces of Chekiang, Kiangsu and Anhwei:

Chekiang	30th Division 45th Brigade	Hangchow area Shanghai-Hangchow Ry.
Chekiang) border Anhwei ) Kiangsu ) areas	62nd Division 73rd " 108th " 33rd Brigade	Border areas west of Lake Tai
Anhwei	New Fourth Army (3-4 divisions)	South and north western Anhwei
Kiangsu	85th Division 63rd "	Northeastern Kiangsu Lake Tai area and Shanghai-Nanking Ry.

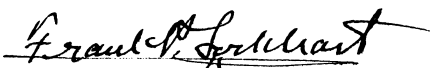
It

- 3 -

It is estimated that in addition to these regular units there are over one hundred thousand Chinese guerrillas and bandits operating in these areas. According to reports received from American missionaries, in some districts the guerrillas are fairly well organized and under control, particularly where Chinese regular units are garrisoned, and in those districts the country people are well treated; elsewhere the guerrillas are said to be indistinguishable from bandits and pillage, plunder and rob the people who apparently fear them as much if not more than they do the Japanese.

Japanese reports indicate that their forces have undertaken widespread "mopping up" operations during the past two months against Chinese units in the border districts mentioned, in the Hangchow area and in northern Kiangsu along the Grand Canal and that over two hundred engagements have been fought. The appointment of General Toshizo Nishio as Commander-in-Chief of the Japanese Expeditionary Forces in China with headquarters at Nanking may be partly responsible for the greater activity shown by the Japanese forces in the past two months against Chinese regular units and guerrillas. However, the greater success which appears to have attended Chinese attacks upon Japanese lines of communication, including the Shanghai-Hangchow, the Shanghai-Nanking and the lower section of the Tientsin-Pukow Railways, has no doubt, also stirred the Japanese to greater activity.

Respectfully yours,

  
Frank P. Lockhart  
American Consul General

Enclosure:

- 4 -

✓  
Enclosure:

1/ - Copy of confidential report from  
Shanghai Municipal Police.

800  
EFS:fc

In Quintuplicate.  
Copy to Embassy, Peiping. (by hand via Tokyo)  
Copy to Embassy, Chungking. (by pouch)  
Copy to Embassy, Tokyo. (by hand)

4  
Lester B. ...  
...

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Dunbar, NARS, Date 12-18-75

Enclosure no. 1 to despatch no. 2753, dated December 15, 1939,  
from Frank P. Lockhart, Consul General at Shanghai, China, on the  
subject: "Situation in the Border Areas of Kiangsu, Chekiang  
and Anhwei Provinces; Chinese Regular Units in these Three Pro-  
vinces: Japanese Operations Against Chinese Forces."

Copy

CONFIDENTIAL

November 30, 1939

Situation in the Border Areas of Kiangsu, Chekiang  
and Anhwei Provinces.

I beg to forward the attached information on the  
situation in the border areas of Kiangsu, Chekiang and  
Anhwei Provinces which was furnished by C.D.C. 361 as a  
result of enquiries and observation carried out during  
his short leave in Ishing between November 13th and 26th,  
1939.

Copied by FC  
Compared with JM



Situation in the Border Areas of Kiangsu,  
Chekiang and Anhwei Provinces

After a lengthy period of chaos following the Sino-Japanese hostilities, the border areas of the three provinces of Kiangsu, Chekiang and Anhwei have practically returned to normalcy and those inhabitants fortunate enough to survive the hostilities, have again settled in their former abodes. The districts of Ishing (宜興), Li-Yang (溧陽), Kwangteh (廣德) and Chang Shing (長興) on the borders of the above mentioned provinces are still under the control of authorities owing allegiance to the National Government. Administrative functions have been carried on for some time past and government efforts directed at the pacification of the war-stricken areas are in progress. In order to prevent undesirable elements from entering the areas, the pre-war "Pao-Cha" system (a system of mutual guarantee) is being enforced through various district and village guilds and inhabitants are required to apply for "good citizens' certificates" to prove their bona fides when called upon to do so. Should they fail to produce such certificates, they are liable to detention by the district magistrate pending an official investigation.

National Government armed forces operating or garrisoned in these districts consist of three full central divisions, namely the 62nd, 73rd and the 108th Divisions and also the 33rd Independent Brigade, totalling 35,000 strong, equipped with light guns, machine guns and rifles. They are active in the mountainous regions on the border areas, especially in the vicinity of Ishing and Li-yang.

The field headquarters of these regular units of the Chinese National Army are located somewhere in the Liyang District and in the Tsang Tse San (桑諸山) in the Ishing District. Uninterrupted communications are being maintained between these bases and the Headquarters of the Chinese High Command.

Observation has revealed that strict disciplinary rules are being observed among the Central regular armies, which has gained for them the support of local inhabitants. Recently, copies of a circular were posted in Ishing in the name of General Koo Cheng-lun (谷正倫), Commanding Officer of the Central Gendarmerie, calling for applicants desirous of entering the service of the Central Gendarmerie. Recruits it is said, will be sent to Hunan for training.

Apart from the Chinese regular units aforesaid, there are guerilla bands which have now been reorganized into numerous mobile units under the independent title of "Loyal and Righteous National Salvation Army" (忠義救國軍) with a total strength of approximately 50,000 men under the command of one named Mei (梅).

In the Japanese occupied areas, it appears that the number of Japanese troops is far from adequate. Only a few hundred are deployed along the Ishing-Wusieh Highway, and some 500 garrisoned in the walled city of Ishing. These troops remain behind strong defence works and are said to maintain underground communication with military posts along the Ishing-Wusieh Highway.

In

- 2 -

In an effort to capture this city, Chinese regular units have launched several offensives on the Japanese garrison troops in Ishing but no tangible results have been achieved, and it has been decided to leave the city alone. Occasional skirmishes, however, are inadvertent since tax collectors of the administrative organs under the Reformed Government, accompanied by small squads of Japanese soldiers, visit the countryside from time to time to impose land tax from the villagers in the form of ten catties of rice for each "mow" of land, no cash being accepted for payment of tax. Upon receipt of information regarding the activities of these tax collectors, troops are despatched by the Chinese regular units to effect their expulsion which inevitably result in a clash between them.

So far, the Japanese have made no attempt to launch any attack upon the Chinese positions and appeared to be quite satisfied with what they have already obtained and occupied.

In the Japanese occupied areas, inhabitants are also required to acquire "good residents' certificates".

Copied by FC  
Compared with JM

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quate NARS, Date 12-18-75

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

JWB

January 19, 1940

Tokyo's despatch no. 4365, December 21, 1939, entitled "Japanese Press Comment on the Nine Power Pact -- Article by Kojiro Sugimori".

The Embassy submits with this despatch clipping of an article which appeared in the Japanese monthly magazine Kaizo by Professor Sugimori of Waseda University, presenting the usual arguments common in Japan to the effect that American insistence upon the Nine Power Treaty is entirely a legalistic insistence and that in the affairs of mankind problems often arise which are not fairly soluble in accordance with legal institutions. The American Revolution is cited as one necessary example of an extra-legal solution.

Comment: No new view is presented in the article. The only usefulness of the article is in its implication that Japan is violating in China the letter of the Nine Power Treaty.

No action.

793.94/15593

CC  
FE: Coville: MHP

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Quisenberry NARS, Date 12-18-75



THE FOREIGN SERVICE  
OF THE  
UNITED STATES OF AMERICA

*File c*  
Division of  
FAR EASTERN AFFAIRS  
JAN 12 1940  
Department of State  
*B*

AMERICAN EMBASSY

No. 4365

Tokyo, December 21, 1939.

SUBJECT: JAPANESE PRESS COMMENT ON THE NINE POWER PACT --  
ARTICLE BY KOJIRO SUGIMORI.

1940 JAN 10 PM 2 59

RECEIVED  
DIVISION OF  
FAR EASTERN AFFAIRS  
7700 RECORDS

U.S.A. No.

793.94/15593

*793.94  
not  
500 #4d*

The Honorable  
The Secretary of State,  
Washington.

Sir:

I have the honor to transmit a clipping of an article  
1/ that appeared in the November 26, 1939 issue of THE JAPAN  
TIMES, entitled: "Long Foresight, Understanding Said  
Necessary in U. S. Relations", written by Mr. Kojiro  
Sugimori, a professor of the Waseda University, Tokyo.

Mr.

JAN 22 1940

RECORDED

F/G

15593

-2-

Mr. Sugimori assails in this article the United States' insistence upon Japan's observing the Nine Power Treaty and his discussion of the matter, it is believed, is of interest as being indicative of much of the Japanese reasoning in the premise.

The author states that the United States has taken a "legalistic" stand over the sanctity of treaties and that this "legalistic" stand is America's weapon, a weapon by which the United States hopes to preserve the existing world order. He states that such a weapon is, however, of dubious integrity, and, in fact, cannot be countenanced. He then undertakes a discussion in regard to laws, morals and legalistic conceptions, dwelling on the modification of laws in the light of altered moral concepts and the necessity of revising the former to come into accord with the latter. He cites as an example of his thesis the American Revolution, which he states could not be justified on legal grounds. He contends from this example that if the United States can hold to the principle of super-legality on which the Revolution was based, whereby the United States became independent, then the United States should apply the same conditions to the Far Eastern situation. He avers that the United States does not seem to be willing to agree to any change but continues to rest on its legalistic stand that the Nine Power Pact is something that must remain forever.

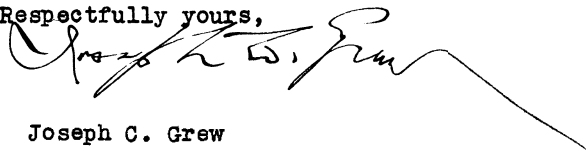
With regard to the Pact itself he describes it as nothing else than an attempt to keep China in the state of a colony of European Powers and he declares that to advocate the perpetuation of such a state is merely imperialism, selfishness and tyranny. This state of  
affairs

-3-

affairs, he alleges, applied to China and to Japan's relations with China, is in direct contrast with the principles of the United States which are set forth in the United States' motto of "Liberty, Equality and Fraternity."

Professor Sugimori's final point is that the United States is not consistent in insisting, as it has insisted through the medium of the Pan-American Peace Conference, upon the principle of geographical proximity in international relations, while opposing Japan's efforts to accomplish the same end in the Far East. Japan, he declares, by this same principle must have a friendly neighbor adjacent to it, and to attain this end it is necessary for Japan to make China harmless to itself.

Respectfully yours,



Joseph C. Grew

✓  
Enclosure:

1/ as stated.

710

JE:wg

Original and 2 copies to Department.  
Copy to Embassy, Chungking  
Copy to Embassy, Peiping

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Gustafson NARS, Date 12-18-75

Enclosure no. 1 to  
Despatch no. 4365, dated Dec. 21/39  
from the Embassy at Tokyo

The Japan Times.

Tokyo, Sunday, November 26, 1939.

## LONG FORESIGHT, UNDERSTANDING SAID NECESSARY IN U.S. RELATIONS

**Prof. Sugimori Asserts That True Philosophy Urges  
On Japan Genuine Strength in Dealing with U.S.**

By KOJIRO SUGIMORI  
Professor, Waseda University

The United States insists on the observance of treaties. Its main argument is legalistic. This is no new thing, however, for public opinion in America since the Manchurian Affair, and official opinion even more so, have centered on the same theme, that nations must abide by law. The United States has taken the same line with Italy and Germany. And this was the very keynote of the memorandum presented on December 30 1938 by Ambassador Grew to the Japanese Foreign Minister of the time, Hachiro Arita. The memorandum insisted that Japan should have observed unto death the Nine Power Pact on China and should hereafter observe it even unto death.

Legalism is America's weapon, that is, a weapon by which to preserve the existing world order. But it is a weapon of dubious integrity. Nay, it is one which cannot be permitted to be turned into a weapon. For law must be amendable to morals. Morality is above law and in the light of morality law has frequently been criticized and revised in the course of the world's history. If all the existing laws must be observed absolutely without question, there can be no progress, no evolution. Such a concept militates against facts, possibilities, morals. Naturally, by morals I mean right morals.

### LAW OF PROGRESS

Law has its law of progress, for law in itself is not an aim nor an end but a means. It must be rooted in real life. Law must be for life. Its formalism is for the sake of life and only thus can it exercise authority or possess prestige.

The Constitution of the United States has been subject to various amendments. To be sure, this has been within the bounds of legalism. But I strongly feel the need of recalling the manner in which the United States itself took rise. The nation was founded on the basis of revolution. A war of independence or a war of the revolution, as it itself calls it. But revolution cannot be justified on any legal ground.

If the meaning of legality is to be fully and deeply comprehended, the legal justification even of revolution is not necessarily impossible. But by legality as understood by American politicians of late in regard to

the international order is quite a shallow and perfectly arbitrary thing, by recourse to which it is impossible to justify the principle on which the United States became independent or the method by which it has founded itself. The legality of revolution cannot be justified at all if it is to be understood in that shallow and arbitrary sense in which it is being applied to the Far Eastern situation. This it behoves the United States to take full cognizance of. Ambassador Grew, President Franklin D. Roosevelt and all the rest of the people of the United States should clearly understand this point.

Is, then, the sort of super-legality that was necessary to justify the great American revolution no longer needed in the present-day world? Emphatically yes. There is every need of such super-legality, regret-

table as it may seem. And chiefly for the adjustment of the international situation does it exist. The most representative of American thinkers, Prof. John Dewey in the 1932 edition of this well-known "Ethics," says:

"These attempts at abolishing war, however, must not only deal with the ambitions of nations, land, hunger and greed, but must liquidate the various injustices that are being perpetuated for the sake of the status quo. In the past, war was an habitual means of righting injustices. Whether in the future peaceful means can right injustices relating to border changes, the political identity of nationals, the possession of economic resources and other questions, is the final moral problem."

### PROFESSOR DEWEY SPEAKS

Prof. Dewey speaks here with his usual acumen. He by far leads the common run of American leaders. Of course, neither Ambassador Grew nor President Roosevelt can express a similar thought from their respons-

sible, political positions but if they have a spark of the same wisdom it would have long ago found some way of coming up to the surface.

Recently I had a talk with Ambassador Grew and, although he is entitled to his own thoughts and methods, I found that unless the fundamental attitude of the United States itself changed there was nothing he or anybody else could do about the present situation.

The legalism of the United States insists that the Nine-Power Pact is something that must remain forever. But the Nine-Power Pact is nothing but an attempt forever to keep China in the state of a colony of European Powers. For the United States which proclaimed the Monroe Doctrine, then changed its signboard in recent years to a Pan-American Peace Conference, to advocate the perpetuation of China's colonial state stipulated in the Nine-Power Pact is nothing but Imperialism, selfishness and tyranny. The United States may be able to satisfy its own shallow sense of legality and even feel happy over observance of the Nine-Power Pact. But just the opposite must be the case with Japan.

I recognize in Liberalism and Democracy deep and eternal values. But neither Liberalism nor Democracy is Britain's or the United States' or any one State's monopoly. They belong to mankind and to the universe. Only its verbal expression is different. The United States used for its motto the words: "Liberty, Equality and Fraternity" when founding its nation.

These are the very things, however, which the United States would insist on being respected at home but deny to other nations in its relations with them. In its dealings with other Powers, its narrow sense of legality stands in the way of extending the same liberty, equality and fraternity for which it stands.

#### PAN-AMERICAN CONFERENCE

The United States in its Pan-American Peace Conference is demonstrating the importance of geographical proximity in international relations. For it, therefore, to oppose the Japanese endeavors to construct a new order in East Asia must be said to constitute flagrant violation of its own principle. The international importance of geographical proximity is a factor which as part of world history must unroll itself with irresistible force, whether one can understand it or not. The outbreak in Europe and the war in China are all pages of this inevitable destiny. Poland in seeking aid of far Britain lacked the proper appreciation of this principle. The recent fate of the three Baltic countries also is a proof of this principle.

Japan is faced with the necessity of making China at least harmless to Japan. This is not selfishness. It is part of common sense. Japan is ready to correct whatever shortcomings it has betrayed in its dealings toward this aim. But it must have a friendly neighbor and friendly neighbors adjacent to it from sheer geographical necessity. This relationship of good neighborhood Japan simply must have for the sake of its own existence, and it must extend this relationship in every direction. The statesmen and people of the United States must realize this point quickly.

American-Japanese relations must be founded on long foresight and far-reaching understanding. Without such a big and comprehensive view of the whole situation, all efforts at reconciliation would be futile. But we must have the strength necessary to compel recognition of our claims. If we lacked the real strength necessary to cope with an international situation like this, especially in the present American-Japanese situation, we might as well wait for the moon to come down to us. There is every reason to fear something even worse.

Thus true philosophy urges on us the need of real strength even in dealing with the United States.

—(Kaizo).



793.94

CROSS-REFERENCE FILE

NOTE

SUBJECT Sino-Japanese hostilities: developments of month of Oct, 1939.

793.94 / 15594

For the original paper from which reference is taken

See #46  
(Despatch, telegram, instruction, letter, etc.)

Dated Nov 6, 1939 From (Hankow)  
To \_\_\_\_\_

File No. 893.00 P.R. Hankow/148

FRG.

15594

B. Relations with other countries:

1. Japan.

a. Course of hostilities.

793.94

It was generally expected that the military operations initiated in September by the Japanese in Hsiangsi and Hunan would result in the capture of Changsha. The Chinese civilian population were evacuated from Changsha in this expectation and Chinese officials publicly belittled the military importance of the city, which they said they had twice before announced their intention of abandoning. Chinese and Japanese reports agreed that at the end of September Japanese troops were within 40 miles of Changsha, and later Chinese statements shortened the distance to 20 miles. On October 9th the Japanese military

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1 telegram (to Embassy), October 25, 1 p.m.;  
despatch No. 44, October 30.

Political report  
October 1939  
Hankow, China

-5-

military spokesman at Shanghai stated that the Japanese forces in Hunan had withdrawn to their original positions, that they had not intended to occupy Changsha, and that they had accomplished their object which was to inflict heavy damage on the Chinese troops in northeast Hunan.<sup>1</sup> The Japanese claimed to have destroyed 60,000 out of 240,000 Chinese troops opposed to them but were, as usual, silent as to their own losses. The Chinese admitted losing 20,000 men but claimed the Japanese lost over 30,000 out of 180,000 effectives engaged. Positions that had been taken and evacuated by the Japanese were reoccupied by the Chinese and by early October both sides were back where they had been one month previously.

This brief but intensive campaign failed to yield the spectacular success which the Japanese were understood to desire in order to accelerate the appearance of a new "Central Government", and the fact that the Japanese, whatever their intentions, did not take Changsha or hold any of the places or positions taken from the Chinese enabled the latter to represent the result to their own people and abroad as a Chinese success. Two successful air raids by Chinese planes on the Hankow air field, on October 3rd and 14th, which met with little opposition, caused considerable

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<sup>1</sup> REUTER, Shanghai, October 9.

Political report  
October 1939  
Hankow, China

-4-

considerable damage to Japanese planes on the ground and to buildings, and reduced Japanese air activity at Hankow to almost nothing after the second raid, provided further encouragement to the Chinese.<sup>1</sup>

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Quate NARS, Date 12-18-75

CROSS-REFERENCE FILE

NOTE

**SUBJECT** Capture by Japanese of Nanning.  
Discussion of effect or lack of effect in China - regarding.

793.94/15595

For the original paper from which reference is taken

See Memorandum  
(Despatch, telegram, instruction, letter, etc.)

Dated Dec. 2, 1939 From PA/H Hornbeck  
To

File No. 893.51/7023

N

15595

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

79394

CROSS-REFERENCE FILE

NOTE

SUBJECT Sino-Japanese hostilities; Sino-Japanese relations related thereto, for the month of Oct., 1939.

793.94 / 15596

For the original paper from which reference is taken

See #162  
(Despatch, telegram, instruction, letter, etc.)

Dated Dec 4, 1939 From } Foochow (Ward)  
To }

File No. 893.00 P.R. Foochow/142

15596

-1-

II. Foreign Relations.

A. Relations with the United States.

Nothing to report.

B. Relations with Other Countries.

1. Japan.

a. Bombings at the month's end.

793.94  
(44-1-5)

Throughout the early weeks of October the district was visited neither by reconnoitering nor bombing planes, but on October 20 a single Japanese plane conducted a long reconnaissance of Futsing (福清) and Pution (莆田), whereafter it headed out to sea toward Pingt'an (平潭).

On October 24, at 3 o'clock in the afternoon, a squadron of Japanese planes crossed the northern boundaries of the Province, flying south from Chekiang. After the usual careful reconnaissance over the little town of Futing (福鼎), a village as far again to the north of Santuao (三都澳) as Santuao is to the north of Foochow, they began machine-gunning the villagers there, and then dropped three bombs.

On the next day five Japanese planes, also evidently from some base in Chekiang, entered the northern part of the district at 8 o'clock, and after a reconnaissance over Ningteh (宁德), a city on the mainland to the east of the island on which Santuao is situated, and over Hsiapu (霞浦), a town on the coast to the northeast of Santuao harbor, they returned to Ningteh which they bombed, whereafter Santuao was bombed, and then Loyuan (罗源), an

inland

-2-

inland city on the mainland directly to the south of Santuao. According to a press report, Hsiapu was also bombed.

On October 26, the little town of Futing was again raided, and on the 27th a Japanese aircraft carrier apparently anchored somewhere south and east of Santuao harbor, and from it at 7:50 a.m. five Japanese planes took off for a reconnaissance which covered Ningteh, Hsiapu, and Futing. Returning, they swept the streets of the town of Santuao with machine-gun fire, and dropped twelve bombs on Ningteh. In a second raid later in the morning a squadron of five planes, evidently the same that had conducted the earlier raid on Ningteh, bombed Haikow (海口), Sunghsia (松下), and Futien.

Ten bombs were dropped on Ningteh in another raid over that city on the following day, and on October 31 eight bombs were dropped on Haikow, the port of Futsing (福清).

From the record of these raids two things are clear: first, that they represented a relatively concentrated attack on northern Fukien, and second, that they were directed at the smaller ports through which that fraction of the district's trade which it has been possible to maintain was being carried on. The desire to disrupt this tentative revival of a part of the commerce of the area seemed especially clear in the bombing of Ningteh, where considerable stocks of tea were stated to have been stored. Chinese claimed, however, that the bombers

arrived



-3-

arrived too late, that the tea had already been moved some ten days before.

b. Hunan victories hailed. Although officially the long expected fall of Changsha had already been so thoroughly discounted in Foochow that there were people who believed that the city had already been taken, there was, in fact, a very general apprehension that the fall of the last of China's large central cities might well seal the fate of Foochow itself, and over those days during which Domei news reports were describing the disorderly route of the Chinese defenders of Changsha and the quick progress of Japanese troops toward another victory, tension in this city mounted steadily.

When Domei suddenly became silent, and the Chungking radio announced with obvious excitement that the Japanese columns had fallen into a Chinese trap, Foochow residents generally were a little incredulous. On October 9, when the news was old everywhere else, the authorities in Foochow officially announced the victories, and that afternoon a parade was staged in the city, accompanied by a general rejoicing which continued until late at night. For many Chinese in Foochow this news meant more than that of a military victory: it convinced them that ultimate Chinese victory was more than a possibility, and while it increased noticeably the determination to resist an attack on Foochow if one was launched, it left in most minds the conviction that the city was no longer in any considerable danger of attack.

c.

-4-

c. Trawler tries the barrier. According to a local press report an armed Japanese trawler attempted on the morning of October 29 to break through the Chinese barrier at the mouth of the Min River, but was fired on and repulsed. Similar attempts have been made at fairly regular intervals ever since the barrier was laid.

d. The fight for Meichow. Meichow (湄洲) is a little island off the tip of the south-pointing peninsula of Putien district. Its only importance has been as a base for smuggling and possibly for the drug traffic. Captured by the Japanese, it is stated to have been retaken by Chinese troops on September 28. The Japanese evidently planned to return, but in doing so to use rather such bandit forces as were available than their own troops, and on October 3, following the method employed in the seizure of Ping'an Island, three Japanese men-of-war are reported to have anchored off Meichow, and to have begun a bombardment of the island, under the cover of which a group of bandits and Formosans were expected to attack from the other side. An armed Japanese trawler patrolled the water around the island to prevent assistance from reaching it. The Chinese troops stationed on the island were, however, successful in beating off this attack.

e. Puppet denounced. It was believed in Foochow during the first week of October that the once influential Wang Ching-wei would on October 10 be formally installed as the head of a new Japanese puppet government, the capital of which was to be, it

was

-5-

was said, at Nanking. Northern Fukien, with its background of Japanese penetration and in its present almost completely isolated situation, might have been expected to have been much more affected by this news than in fact it was. If Wang had had any hope of commanding any real Chinese allegiance, it would certainly have been in Foochow and Fukien, but with a single exception which will be noted later, there was no indication of any tendency here to rally to Wang's banner. Rumors of a compromise agreement between Chiang and Japan were widely mooted, but Wang appears not to have been taken seriously here except by the potent Huang Chon-wu (黄珍吾), of the Provincial Peace Preservation Corps, who circulated a telegram denouncing the new puppet.

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quastler NARS, Date 12-18-75

CROSS-REFERENCE FILE

NOTE

SUBJECT Military-guerilla activities.  
Report regarding - submitted.

793.94/ 15597

For the original paper from which reference is taken

See #187 to Embassy at Peiping.  
(Despatch, telegram, instruction, letter, etc.)

Dated Dec. 7, 1939 From Tsinan (Hawthorne)  
~~Ex~~

File No. 893.00 P.R. Tsinan/123

N

U. S. GOVERNMENT PRINTING OFFICE 1-1240

15597

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Gustafson NARS, Date 12-18-75

Division of  
FAR EASTERN AFFAIRS  
JAN 15 1940  
Department of State

34 Ho Tzu  
Chengtu,  
Szechuen,  
China.

December 8, 1939

DEPARTMENT OF STATE

1940 JAN 2 PM 2 55

The Secretary of State,  
The State Department,  
Washington, D.C., U.S. COMMUNICATIONS  
AND RECORDS

Dear Mr. Hull,

*Instruction to  
Chungking*

January 8

May we send the enclosed letter through your  
good offices to President Roosevelt? The warm feelings of  
appreciation expressed in it are due also in large measure to  
the statesmanship you have exercised.

With kindest regards,

Sincerely yours,

Marshall Chou Tao-keng

*D. K. Chou*

Liao Hsueh-chang

*L. C. Liao*

793.94

*140*

*see also  
894.24/851*

*793.94/15820*

JAN 15 1940

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793.94/15598

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Department of State letter, August 10, 1972  
By Milton D. Quisenberry NARS, Date 12-18-75

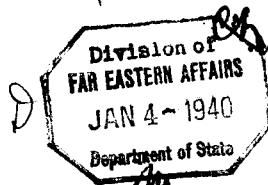
DEPARTMENT OF STATE

DIVISION OF PROTOCOL

FE.

There appears to be no need to send this to the White House. Do you think an acknowledgment through the appropriate consular officer would be sufficient?

3/1/40



DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quastler NARS, Date 12-18-75

34 Ho Tzu Kai  
Chengtú,  
Szechuan,  
China,  
December 8, 1939

President Franklin D. Roosevelt,  
The White House,  
Washington, D.C.,  
The United States of America.

Dear Mr. President,

The Association of Chinese Gentry in this city desires to express to you its warm appreciation of the steady friendship which you and the Government of the United States of America have shown to China during the two years of her conflict. We are cognizant of the difficulties under which any government labors in extending to a neighbouring friendly country the overt help which may be sorely needed in a time of crisis. We therefore value deeply the measure of significant aid which has been extended in one form or another, from you personally, and from your people to ours. We are fully aware of the constructive international effect of your own address in Chicago, the abrogation of the commercial treaty, Ambassador Grew's Tokyo speech, the presence of so large a proportion of the United States fleet in the Pacific, and other wise and courageous actions testifying to America's understanding of the real facts in this struggle.

We Chinese want to see the end of this 'undeclared' war which is continuing to spread misery into other areas. The Chinese people desire a peace which will really guarantee a permanent basis for the well-being of the governments in the Far East as well as an equal opportunity for all nations to enjoy free and continual intercourse with China. Sovereignty and territorial

-2-

integrity must be inviolably assured.

You and the members of your Government and numberless citizens of the United States of America have given abundant evidence of your understanding of the temper of the Chinese Government and of our people. You are fully aware that we are not under the obsession of military ambition, but are being compelled to use military resistance to oppose a ruthless, invading enemy. Once this is accomplished, we shall be ready at once to participate in a stable and equitable peace. Nations - whether far away or close at hand - can trust China, just as they do the United States of America.

You can well understand, then, with what expectancy we await January twenty-sixth, and the implementation of the firm words and actions of the United States Government regarding the situation in the Far East.

The Association of Chinese Gentry of Chengtu, in writing you, does so on behalf of some seventy-five millions of people.

Yours sincerely

Marshall Chou Tao-kang, President,  
(Formerly Military Governor of Szechuan)

D. K. Chow

Liao Hsueh-chang, Vice-President and English  
Secretary. (Professor in National Szechuan  
University)

S. Liao



DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By M. J. D. [unclear], NARS, Date 12-18-75

January 8 1940

No. 188

To the American Ambassador,

Chungking.

The Secretary of State encloses herewith a copy of a letter addressed to him under date December 6, 1939, and signed by Marshal Chou Tao-kiang and Mr. Liao Hsieh-chang, enclosing a letter addressed to the President in regard to matters relating to the situation in the Far East.

The Secretary of State requests that the American Ambassador, unless he perceives objection thereto, make appropriate acknowledgment of the enclosed letter.

793.94/15598

Enclosure:

From Marshall Chou Tso-kang  
and Liao Hsieh-shang,  
December 8.

CR ✓

JAN 6 1940



F/FG

89. S.  
FE: EGG: MHP  
1/5/40

MWH

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Hultgren NARS, Date 12-18-75

COPIES IN BUREAU  
SENT TO LEGATION  
IN CONFIDENCE *egz*

**TELEGRAM RECEIVED**

COPIES IN BUREAU  
SENT TO C.N.T.  
P.T.O. BR 10

*F*

LMS  
This telegram must be  
closely paraphrased be-  
fore being communicated  
to anyone. (BR)

FROM Chungking via N. R.

Dated January 14, 1940

Rec'd 3:45 a. m.

*egz*

Secretary of State,  
Washington.

*John*  
Division of  
FAR EASTERN AFFAIRS  
JAN 15 1940  
Department of State  
*B*

27, January 14, noon.

*793.94*  
*not*  
*893.77*

Following is the substance of Yunnanfu's January 13,  
10 a. m.

"Through traffic on ordinary train Laokay-Yunnanfu  
continues although general freight traffic is still sus-  
pended. Each passenger is allowed 40 kilograms baggage  
for ferrying across the broken section. Some small  
freight shipments are stated to be coming through.  
Local officials estimate repair work on damaged bridge  
will take about three weeks time. A representative of  
Southwest Transportation states that his company will  
attempt to bring freight through by organizing its own  
portage system. Gasoline situation is regarded as serious  
here with a shortage of stocks for private use. Rumors  
are prevalent that the Japanese are still pressing the  
French authorities for stoppage of gasoline shipments  
via railway in return for abstention from bombing road."

793.94/15599

Repeated to Peiping, Shanghai, HongKong. Shanghai  
please mail to Tokyo.

JAN 18 1940

F / FG  
V. J. H. C.

PECK

ROW:CSB

0221

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

CONFIDENTIAL

Confidential

P A R A P H R A S E

A telegram (no. 27) of January 14, 1940, from the American Embassy at Chungking quotes a message of January 13 from the Consul at Yunnanfu which reads substantially as follows:

There is a shortage of gasoline stocks for private use and the gasoline situation in Yunnanfu is considered serious. There is a prevalence of rumors to the effect that the Japanese are continuing to press the French authorities to put a stop to shipments of gasoline by railway, offering in return to desist from bombing the railway. Although freight traffic in general is still suspended on the Loockay-Yunnanfu Railway, traffic on ordinary train continues, each passenger being permitted to have about 88 pounds of baggage for taking across the broken section by ferry. Some small shipments of freight are coming through, it is said. It will require about three weeks to repair the damaged bridge, in the opinion of Yunnanfu officials. The Southwest Transportation Company will try to bring freight through by organizing a portage system of its own, according to a representative of the company.

793.94/15599

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DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quisenberry NARS, Date 12-18-75

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

January 20, 1940.

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text of Chungking's despatch No. 408,  
December 19, 1939, encloses a copy of the  
a press interview attributed to Mr.  
M. E. Sheahan, American motor transport  
adviser to China, in which Mr. Sheahan  
seeks apparently to minimize the loss  
to China of the Nanning highway route.  
The Embassy at Chungking states that  
Mr. Sheahan's interview was made for  
purposes of external consumption and  
that Mr. Sheahan himself obviously does  
not feel the optimism indicated in the  
text of the interview.

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EMBASSY OF THE  
UNITED STATES OF AMERICA  
Chungking, December 19, 1939.

No. 408.

Subject: Effect of Japanese Invasion of Kwangsi  
on Highway Transportation in South China:

Statement to Press Made by Mr. M. E.  
Sheahan, American Motor Transport Expert.

Confidential

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COMMUNICATIONS  
AND RECORDS

Division of  
FAR EASTERN AFFAIRS  
JAN 16 1940  
Department of State

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FEB 5 1940  
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The Honorable  
The Secretary of State,  
Washington.

Sir:

I have the honor to enclose for the information and  
1/ files of the Department the text in English of a statement  
to the press made on November 29 by Mr. M. E. Sheahan,  
American motor transport expert, on the effect of the  
Japanese invasion of Kwangsi on highway transportation in  
South China. While press of routine has delayed transmission

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of the text to the Department, the questions it raises are as pertinent now as they were when it was released, and will continue to be as long as the Nanning highway is closed to traffic.

In the statement under reference Mr. Sheahan minimized the importance of the loss of the Nanning highway; referred to it as a "temporary suspension" of traffic; expressed enthusiasm over the usefulness of the Burma Highway; called the Nanning highway "only one of many strands in the mesh-work that ensures China her supplies of foreign goods"; stated that the Nanning highway had been in a state of ill repair for several months; declared that new roads could be built "with great rapidity"; and announced that a new road - far superior to the Nanning highway - would be completed by the end of December, and that at least four other routes were in the process of construction.

Mr. Sheahan, it will be recalled, is in Chungking to advise the Ministry of Communications in the execution of its plan to coordinate transportation throughout China (Embassy's despatch No. 407, December 18, 1939). On November 30, when asked by a member of the Embassy staff whether he could recommend a route for the United States Navy truck, which has attempted to operate between Haiphong and Chungking during the past six months, Mr. Sheahan said the only route he would consider was the Kunming (Yunnanfu)-Chungking road, which would, of course, mean shipping cargo from Haiphong to Kunming by rail. He said there were various "back roads" west of Nanning, but that they were too close to the area of hostilities to be at all safe. Three trucks, he added, had been demolished by aerial bombs on these roads in the course of the two or three preceding days.

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Department of State letter, August 10, 1972  
By Milton O. Qualifone NARS, Date 12-18-75

The Embassy understands that the chief reason for Mr. Sheahan's allowing himself to be quoted as expressing an optimism which he obviously did not - and does not - feel, was a desire to stimulate the Chinese authorities with whom he is working to greater and more effective activity. He seems to have felt that if he stated publicly that conditions were favorable, the Chinese authorities might feel obliged to demonstrate to interested observers in China - and to the United States Treasury Department - that they were capable of accomplishing the tasks for which he had given them credit. It remains to be seen whether Mr. Sheahan's strategem will have the desired effect.

The new road which Mr. Sheahan said would be open by the end of December is, as the Department is probably aware, the Caobang-Hochih road which, according to Mr. P. W. Tsou, quoted in the Embassy's despatch No. 405 of December 18, 1939, is not expected to accomodate trucks with pay-loads of more than one ton when it is first opened. In this connection it will be recalled that in his despatch to the Department No. 26 of December 10, 1939, Consul Reed at Hanoi stated that the volume of traffic which could be handled on the Caobang-Hochih road if and when it is completed would be insignificant compared with the volume formerly transported over the Nanning highway.

So far as the Burma highway is concerned, a member of the Embassy staff was informed by an official of the Ministry of Communications, on November 10, who had just returned from an inspection trip on the Burma highway in company with Mr. Sheahan, that he believed the Nanning highway was preferable to the Burma route because of the greater cost involved in use of the latter. It is, furthermore, difficult to

believe



- 4 -

believe that increased traffic on the Burma highway can make up for the complete stoppage of traffic on the Nanning route.

That the seriousness of the situation is recognized by General Chiang Kai Shek is indicated by the apparent magnitude of the counter-offensive he has ordered in the Nanning area. Until such time as the Nanning road may revert to Chinese control, however, there is reason to believe that the problem of importing essential supplies into China will remain as critical as it has been at any previous time since the beginning of the current hostilities.

Respectfully yours,

For the Ambassador:

*Willys R. Peck*  
Willys R. Peck,  
Counselor of Embassy.

✓  
Enclosure:

- 1/ Text of statement to press made by Mr. M. E. Sheahan.

Original to Department by air mail  
Four copies to Department by pouch  
Copy to Embassy, Peiping by pouch  
Copy to Consulate General, Shanghai by pouch  
Copy to Consulate, Yunnanfu, by air mail  
Copy to Consulate, Hanoi, by air mail  
Copy to Consulate, Rangoon, by air mail

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7.12

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quate NARS, Date 12-18-75

Enclosure No. 1  
to Despatch No. 408  
Dated December 19, 1939

( C O P Y )

Released by China Information Committee November 29, 1939

SUSPENSION OF NANNING TRAFFIC INSIGNIFICANT,  
STATES AMERICAN HIGHWAY AUTHORITY

The temporary suspension of the flow of supplies over the Nanning highway occasioned by military operations in that vicinity is of distinctly minor importance, stated Mr. Maurice E. Sheahan, American highway authority, in an interview accorded our correspondent today. With the close of the rainy season, an unlimited amount of goods may be brought into China over other and more thoroughly conditioned highways.

Throughout the rainy season, despite the heaviest fall of rains ever recorded in south China, rains in which even the Burma railway was temporarily forced to suspend operations, the Yunnan-Burma highway was open and in use. Mr. Sheahan, who has just returned from a tour of inspection in the southwest, stated that he had observed as many as forty or fifty landslides in a space of twelve kilometers along the new highway, but none had been allowed to impede the smooth flow of traffic pouring into China from the south.

The Nanning highway, he went on, is only one of many strands in the meshwork that ensures China her supplies of foreign goods. The highway has been in a state of ill repair for several months, and since the spread of war to its neighborhood it has fallen into a state of complete disuse. The Chinese in Kwangsi have within the past few days allowed the highway to be flooded and let the roadbed revert to the original paddy fields that preceded its construction, thus rendering it useless for enemy operations.

One of the most amazing features of the south China countryside, continued Mr. Sheahan, is the multitude of back

roads

- 2 -

roads and county routes that may be linked up to ship goods in any direction required. These traditional back country roads in the Kwangsi area may be linked up in a few weeks to provide any imaginable detour. These roads consist of stone-paved paths over which animal traffic has coursed for centuries. It is only necessary to lift the stones out of their bedding, place them on the side of the old roadbed as hard shoulders and fill in the space with gravel to have roads that are fit for motor traffic. The existence of such back-ways and paths have enabled some of China's new roads in the southeast to be built with great rapidity.

The back-roads and byways constitute only a reserve insurance for the flow of supplies through Kwangsi, for, in addition to them, the close of the month of December will see the completion of a completely new motor road. This road, long-planned and almost completed as a substitute for the old highway, will shorten the distance between China's southern border and Hochih, in north Kwangsi, by a couple of hundred kilometers. The new road is much smoother, has far fewer curves, and is distinguished by its excellent profile engineering. At least four other routes, said Mr. Sheahan, are in the process of construction.

Throughout southwest China the work of the Ministry of Communications is progressing rapidly. Under the leadership of Minister Chang Kia-ngau, change after change is being made in the gradual drive for efficiency and speed in China's transport. Within the past few months preparations have been made and approved for centralizing the supply of spare parts to fourteen hitherto independent government transport agencies. Amazing success has been achieved in experimental operation of duck-bottomed Chinese junks powered with American outboard motors. By dividing the highways into sections, so that individual drivers will traverse only sectors instead of entire trips, it

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is expected that day and night operations may be begun over China's southern arterial highways.

The Ministry of Communications, assisted by three American highway experts, Messrs. M. E. Sheahan, A. B. Bassi, and C. W. Van Patter of the Keeshin Freight Lines, Inc. of Chicago, has been taking full advantage of the stability within China's principal highways, to reorganize the various regional management into one centralized, more economic and efficient transportation agency. A new era of highway service is dawning for the lasting benefit of China.

(True copy: *HH*)

(Compared: )

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quisenberry NARS, Date 12-18-75

NO. 31

~~A-M~~

AMERICAN CONSULATE GENERAL  
American Foreign Service, Hanoi, Indochina,  
December 24, 1939.

SUBJECT: The Japanese Campaign in Kwangsi.

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Division of  
EASTERN AFFAIRS  
JAN 10 1940  
Department of State

THE HONORABLE  
THE SECRETARY OF STATE,  
WASHINGTON.

SIR:

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ASSISTANT SECRETARY  
OF STATE  
JAN 10 1940  
DEPARTMENT OF STATE

I have the honor to refer to my telegrams of Dec-  
ember 19, 3 p.m., and 23, 12 noon, 1939, in regard to  
the most recent developments in Kwangsi. On the first  
date it appeared from the information then available  
that the Chinese defense had weakened sufficiently to  
allow the Japanese to penetrate farther into Kwangsi,  
particularly towards and along the French frontier.  
On the latter date it appeared that the Chinese counter-  
offensive was attaining a fair measure of success,  
chiefly in the isolation and defeat of small enemy  
detachments.

The progress of the campaign in Kwangsi is rather  
difficult to follow, owing to the multiplicity of  
rumor. Reasonably credible sources of information  
aver, however, that the Japanese are now for the most  
part on the defensive and in many instances are falling  
back towards Yamchow. This, the detachment which reached  
the frontier at Nacham on December 21, and which sub-  
sequently pushed northwards towards the Cao Bang road,  
is said to have been virtually annihilated; the Chinese

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- 2 -

not only drove the Japanese out of Nanning but also cut the Japanese lines of communication between Nanning and Lungchow, forcing the Japanese to withdraw from the latter area. This show of strength and aggressiveness on the part of the Chinese is in great contrast to the feeble resistance to the initial Japanese advance in Kwangsi. But, as I have reported, there seems to be little doubt but that the absence of resistance at that time was the result of certain Chinese troops (presumably militia) turning against the more patriotic defenders of the province.

For the first time since my arrival at Hanoi, on September 16, the local press has devoted considerable space to the Sino-Japanese conflict. Because of the proximity of the fighting forces, the majority of space has been devoted to the Kwangsi campaign. The interest in Kwangsi has not only been journalistic but it has also taken a realistic aspect, as the French have concentrated a not inconsiderable number of troops along the frontier, to be prepared for any eventuality arising out of the struggle in Kwangsi.

Respectfully yours,

For the Consul at Saigon,

  
Charles S. Reed II,  
American Consul.

X  
Original and 2 copies to the Department  
Copies to Embassy, Chungking and Peiping  
Copies to Consulates, Kunming and Saigon  
Copy to Consulate General, Hongkong

800

CSR:csr

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Quate NARS, Date 12-18-75

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

January 18, 1940.

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Reference Hanoi's despatch  
no. 32, December 26, 1939, en-  
titled "Reaction in Indochina to  
the Kwangsi Campaign".

The most interesting thing  
in the attached brief despatch is  
the reported opinion of the Chief  
of the French Military Intelligence  
Service at Hanoi that the outcome  
of the fighting between the Chinese  
and Japanese in Kwangsi "will have  
more than considerable weight in  
the final determination of the  
war".

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DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Gustafson NARS, Date 12-18-75

NO. 32

DIVISION OF  
EUROPEAN AFFAIRS  
JAN 9 8 1940  
DEPARTMENT OF STATE

AMERICAN CONSULATE GENERAL  
American Foreign Service, Hanoi, Indochina,  
December 26, 1939.

SUBJECT: Reaction in Indochina to the  
Kwangsi Campaign.

Division of  
EASTERN AFFAIRS  
JAN 10 1940  
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THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIS:

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I have the honor to report, as of possible interest  
to the Department, the gist of an interview which I had  
today with Colonel Maupin, Chief of the French Military  
Intelligence Service at Hanoi.

DEPARTMENT OF STATE  
ASSISTANT SECRETARY  
OF STATE  
JAN 24 1940

Colonel Maupin brought with him a number of maps on  
which the progress of the Kwangsi campaign was outlined,  
insofar as his reports were believed to be accurate.  
His information confirmed in great part the reports which  
I had received and which were the basis of my despatch  
no. 31 of December 24. In other words, the Japanese  
are having a very difficult time in Kwangsi, especially  
in and around Nanning and Lungchow, despite the mustering  
of approximately 45 thousand Japanese soldiers and a  
considerable number of planes. The outcome of the  
Kwangsi campaign still appears to be in doubt.

Of more than passing interest was Colonel Maupin's  
remark that he had been informed that the Japanese were  
actively destroying what the Chinese had left of the  
Dong Dang-Nanning road, perhaps with the idea of making  
more difficult the restoration of traffic if they (the

Japanese

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AIR MAIL

- 2 -


Japanese) failed to hold their position at key points on this road.

Colonel Maupin's reaction to the campaign was that its outcome will have more than considerable weight in the final determination of the war. If the Japanese are decisively defeated in Kwangsi, the Chinese will gain confidence and will be able to restore the important traffic via that province. If the Chinese are defeated, transportation via Kwangsi will be at an end and transportation via Kunming will be endangered. He was not sure that Yunnan would remain loyal to the National Government if actual invasion of that province were threatened.

From his remarks, and from what he did not say, I gathered the impression that the French attitude toward the campaign is one of watchful waiting. The outcome may have some influence on the French attitude as regards assistance to China. As I have reported, the French do not feel entirely secure against Japanese aggression and have hitherto proceeded cautiously and with due regard to Japanese susceptibilities and suspicions. A Japanese reverse will allay this feeling.

Respectfully yours,

For the Consul at Saigon,

  
Charles S. Reed II,  
American Consul.

Original and 2 copies to the Department  
Copies to Embassy, Chungking and Peiping  
Copies to Consulates, Kunming and Saigon  
Copy to Consulate General, Hongkong

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CSR:csr

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Quastner NARS, Date 12-18-75



EMBASSY OF THE  
UNITED STATES OF AMERICA  
DIVISION OF  
EUROPEAN AFFAIRS  
JAN 30 1940  
DEPARTMENT OF STATE

386

No. 413

Chungking, December 27, 1939

Subject: International Assistance to China in  
the Sino-Japanese Hostilities.

*of excerpts (see attached)*

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R.I.D. IN CONFIDENCE *egz*

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IN CONFIDENCE *egz*

Division of  
FAR EASTERN AFFAIRS  
JAN 16 1940  
Department of State

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AND RECORDS

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*W.S.*  
FEB 1 1940

*Excerpts to ONI,  
MID & Treasury  
in confidence*

ADVISER OF SPECIAL RELATIONS  
MR. HORNBECK  
JAN 23 1940  
DEPARTMENT OF STATE

The Honorable

The Secretary of State,  
Washington, D. C.

Sir:

I have the honor to state that on December 26, 1939,  
I held an informal conversation with M. Henri Cosme,  
the French Ambassador. The following is a summary.

We agreed that the Chinese authorities are opti-  
mistic as to the outcome of the hostilities with Japan  
to a degree hard for foreigner observers to justify.

I suggested

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I suggested that perhaps this optimism was based on a belief that Japan was at the point of exhaustion. M. Cosme inclined more to the view that it was occasioned by (1) the victory over the Japanese at Changsha during the summer, (2) support given by the United States, as by the denunciation of the Treaty of 1911, or expected from the United States in the future, and (3) support given by the Soviet Union.

The Ambassador remarked that the Chinese seemed to believe that by advancing to and capturing Nanning in Kwangsi Province at the end of November, the Japanese had laid themselves open to such a reverse as occurred at Changsha; he thought the Chinese were confident that they would repeat the Changsha performance. He himself felt that the Chinese had exhibited an amazing weakness in permitting the Japanese to capture Nanning, and according to rumor, Lungchow, twelve miles from the Indo-China frontier, so easily. In regard to assistance from the Soviet Union, he said he had authentic information that in the months September to November, inclusive, thirty-three thousand tons of war materials had arrived in Chengtu in Russian trucks and that between two hundred and two hundred and fifty trucks arrived daily; he said that a strong Russian air force was being organized in northwest China; that there were fifty air establishments in the vicinity of Chengtu, capital of Szechuan; and that there were at least one thousand Russian technicians in the Chungking-Chengtu area, assisting the Chinese as advisers and in other

in other capacities. I felt dubious of the accuracy of these figures, but having no proof I did not question them.

The Ambassador said that he had long ago warned the Chinese Government that if the Chinese allowed Japanese forces to reach the vicinity of the Indo-China border certain aspects of Chinese-French relations, such as the transportation of materials through Indo-China, necessarily could not be the same as before, and he had urged that they prevent Japanese forces from so doing. He pointed out that all road and rail communications into China as far as the Burma Highway were now threatened by the Japanese and that transportation over the latter route probably did not exceed 1,500 tons per month.

In the light of this situation we debated whether the recovery of the Nanning motor route was not vitally essential to the success of China's resistance to Japan. M. Cosme observed that if all import routes from the south were cut off, China would be dependent on the route through Chinese Turkestan and Russia for foreign supplies, and for exports with which to obtain foreign exchange. In view of the seeming seriousness of the situation the apparent lack of anxiety of the Chinese authorities over the results of the struggle for the Nanning route was hard to understand. /

I suggested as a possible explanation of this attitude a belief on the part of the Chinese that China had no vital spot, and that even if all contact with foreign nations were to be prevented, China still

could


- 4 -

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could oppose effective resistance to Japanese domination for an indefinite period. I added that if China's foreign communications were limited to the route through Russia or were completely cut, France, Great Britain and the United States would find it impossible to influence the outcome of the struggle and hence the fate of their own interests in China, except through some form of direct pressure on Japan. Unless such direct pressure were applied the Chinese would necessarily have to work out their destiny without regard to the assistance, wishes or interests of these three nations. From the Chinese standpoint it might be considered that the recovery of the southern transportation routes was a vital matter for Occidental relations with China, but not necessarily a vital issue in the outcome of China's resistance to Japanese domination.

Respectfully yours,

For the Ambassador:

  
Willy R. Peck,  
Counselor of Embassy.

Original to the Department by air mail  
Four copies to the Department  
Copy to American Embassy, Peiping

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DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Dunfee NARS, Date 12-18-75

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DIVISION OF  
FAR EASTERN AFFAIRS  
JAN 24 1940  
Department of State

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DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quisenberry NARS, Date 12-18-75

(COPY: FE:HES)

CONFIDENTIAL

391

Excerpts from a Despatch of  
December 27, 1938, from the  
American Embassy at Chungking

The [French] Ambassador [to China] remarked that the Chinese seemed to believe that by advancing to and capturing Nanning in Kwangsi Province at the end of November, the Japanese had laid themselves open to such a reverse as occurred at Changsha; he thought the Chinese were confident that they would repeat the Changsha performance. He himself felt that the Chinese had exhibited an amazing weakness in permitting the Japanese to capture Nanning, and according to rumor, Lungchow, twelve miles from the Indo-China frontier, so easily. In regard to assistance from the Soviet Union, he said he had authentic information that in the months September to November, inclusive, thirty-three thousand tons of war materials had arrived in Chengtu in Russian trucks and that between two hundred and two hundred and fifty trucks arrived daily; he said that a strong Russian air force was being organized in northwest China; that there were fifty air establishments in the vicinity of Chengtu, capital of Szechuan; and that there were at least one thousand Russian technicians in the Chungking-Chengtu area, assisting the Chinese as advisers and in other capacities. I [the Counselor of American Embassy] felt dubious of the accuracy of these figures, but having no proof I did not question them.

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The Ambassador said that he had long ago warned the Chinese Government that if the Chinese allowed Japanese forces to reach the vicinity of the Indo-China border  
certain

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Gustafson NARS, Date 12-18-75

-2-

CONFIDENTIAL

certain aspects of Chinese-French relations, such as the transportation of materials through Indo-China, necessarily could not be the same as before, and he had urged that they prevent Japanese forces from so doing. He pointed out that all road and rail communications into China as far as the Burma Highway were now threatened by the Japanese and that transportation over the latter route probably did not exceed 1,500 tons per month.

In the light of this situation we debated whether the recovery of the Nanning motor route was not vitally essential to the success of China's resistance to Japan. M. Cosme observed that if all import routes from the south were cut off, China would be dependent on the route through Chinese Turkestan and Russia for foreign supplies, and for exports with which to obtain foreign exchange. In view of the seeming seriousness of the situation the apparent lack of anxiety of the Chinese authorities over the results of the struggle for the Nanning route was hard to understand.

REMS



DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

NO. 33

DIVISION OF  
EUROPEAN AFFAIRS  
JAN 10 1940

AMERICAN CONSULATE GENERAL

American Foreign Service, Hanoi, Indochina,  
December 27, 1939.

SUBJECT: Visit of Japanese Military  
Mission to Indochina.

Division of  
FAR EASTERN AFFAIRS  
JAN 10 1940  
Department of  
State

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have the honor to refer to my telegrams of Dec-  
ember 19, 3 p.m., and 23, 12 noon, 1939, in which mention  
was made of the visit of a Japanese military mission to  
Indochina. At the head of the mission, which consisted  
of 6 officers, was General Suchihashi, who has been  
chief of staff of the Japanese army in Kwangtung and  
who is understood to be returning to Japan to assume  
new duties there.

As might be expected this visit aroused more than  
the usual number of rumors, particularly as publication  
of news concerning the mission was prevented insofar as  
possible and as the French undoubtedly tried to keep  
secret the presence of these Japanese officers. One  
high French official attempted to explain this to me  
by saying that it was not considered desirable to have  
the Annamites know of th mission, leaving unsaid the  
fact that the Japanese have engaged in anti-French propa-  
ganda in Indochina.

I have been informed by a usually reliable source  
of information that the Japanese mission was interested

in

ASSISTANT SECRETARY  
OF STATE  
JAN 10 1940  
A.M.C.

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AIR MAIL

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in investigating whether or not arms and munitions were being transported to China via Indochina.

I have also been informed that General Suchihashi, during his interview with Governor General Catroux, mentioned his Government's interest in the transportation of gasoline and petroleum products to China via Indochina and stated that his Government was taking or had taken up this question at Paris, maintaining that gasoline and petroleum products are materials of war and that, as such, the Indochina Government General should prohibit their transportation to China. I am given to understand that General Catroux refused to discuss this subject.

It is understood that General Suchihashi requested permission to visit the French-Chinese frontier at Dong Dang and that permission was refused on the ground that that region was now a French military zone.

Among other reports, the most widely accepted one pertained to the presence of Japanese troops on the French frontier - that General Suchihashi's visit was timed so that he would be in a position to adjust any incidents which might arise. As a matter of fact, Japanese planes have crossed the frontier on several recent occasions. Another report, for which I have been unable to obtain confirmation, was to the effect that the Japanese were requesting transit of supplies to Japanese troops on the frontier. The more recent withdrawal of these troops from the frontier does away with this question for the time being.

In summary, it is believed that the Japanese military mission visited Indochina for the purpose of testing

AIR MAIL

- 3 -

testing the French reaction to veiled Japanese demands in regard to various matters, but chiefly as regards the transportation of gasoline and petroleum products to China. It is further believed that the reported Chinese successes in Kwangsi have influenced the French to adopt a somewhat more firm attitude towards the Japanese than might have been expected in the past. It is possible that the French non-compliance with Japanese desires may lead to reprisals on the part of the Japanese, such as the bombing of the French railway to Yunnan.

Respectfully yours,

For the Consul at Saigon,

  
Charles S. Reed II,  
American Consul.

Original and 2 copies to the Department  
Copies to Embassy, Chungking and Peiping  
Copies to Consulates, Kunming and Saigon  
Copy to Consulate General, Hongkong

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CSR:csr

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

NO. 34

AIR MAIL

AMERICAN CONSULATE GENERAL

American Foreign Service, Hanoi, Indochina,  
December 31, 1939.

SUBJECT: Bombing of the Yunnan Railway.

1-1483

Division of  
FAR EASTERN AFFAIRS  
JAN 16 1940  
Department of State

DIVISION OF  
EUROPEAN AFFAIRS  
JAN 2 1940  
DEPARTMENT OF STATE

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PM  
JAN 13  
1940

THE SECRETARY OF STATE,

WASHINGTON

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FEB 7 1940  
N.I. - MID  
EP

SIRS

I have the honor to refer to my telegram of Dec-  
ember 30, 6 p.m., 1939, reporting that on that day  
Japanese planes had bombed the Yunnan Railway at a  
point about 36 kilometers north of the frontier but

ASSISTANT SECRETARY  
OF STATE  
JAN 24 1940  
A.M.

that there had been no damage to the railway or to  
the important bridge at that point. This information  
was communicated to me by an officer in the French  
Military Intelligence Service.

The fact that there was no damage, despite an  
utter lack of defense against bombing, induces many  
commentators to the belief that the failure to hit the  
railway was intentional. These commentators are rather  
inclined to the belief that the bombing was merely a  
threatening gesture, to force the French to stop the  
transit of gasoline and petroleum products to China.  
Other observers consider this unlikely and point out  
that the particular bridge, presumably the target of  
the attack, is difficult to hit because of the sur-  
rounding terrain. I believe the latter opinion to be  
the more tenable and I anticipate further bombings

at

793.94 / 15605

1940

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AIR MAIL

- 2 -


at the same spot.

Another incident concerning Japanese aerial activities in this area, but entirely unrelated to the bombing of the railway, may be of interest to the Department. A Japanese military plane (off an airplane carrier) made a forced landing at Doson, on the coast about 20 kilometers from Haiphong, on December 27. The French have dismantled the plane and are said to have detained the pilot for the time being for having flown over a fortified zone. The question arises as to what the Japanese plane was doing so near the Indochina coast. No publicity has been given to this incident.

It is possible that Japanese pressure, so long feared by the French, is now beginning. If the Japanese force the closing of the frontier (at least for gasoline and petroleum products) or succeed in destroying the bridge, important quantities of supplies at Haiphong will be unavailable to the Chinese National Government. The Department is aware that a great part of these supplies are of American origin and figure in the Universal Trading loan Company/to China.

Respectfully yours,

For the Consul at Saigon,

  
Charles S. Reed II,  
American Consul.

X  
Original and 2 copies to the Department  
Copies to Embassy, Chungking and Peiping  
Copies to Consulate, Kunming and Saigon  
Copy to Consulate General, Hongkong

815.4/800

CSR:csr

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Department of State letter, August 10, 1972  
By Milton D. Quastler NARS, Date 12-18-75

1  
**TELEGRAM RECEIVED**



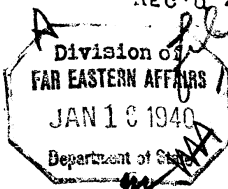
JT  
This telegram must be closely paraphrased before being communicated to anyone. (D)

FROM PARIS

Dated January 15, 1940

Rec'd 4:55 p.m.

Secretary of State,  
Washington.



*Tel. to Tokyo*

78, January 15, 7 p.m.

JAN 16 1940

STRICTLY CONFIDENTIAL.

Chauvel gave me to read today a telegram from ARSENE Henry the French Ambassador in Tokyo dated January 12 recounting a conversation that he had had the same day with Admiral Nomura, Japanese Minister for Foreign Affairs.

"The Ambassador had called on the Minister for Foreign Affairs to protest against Japanese bombings of the French railroad from Indo-China to Yunnan. The railroad has been bombarded six times at a point about eighty kilometers inside Chinese territory and bridge has been so severely damaged that traffic will be impossible over the railroad for some weeks."

In reply to the protest of the French Ambassador the Japanese Minister for Foreign Affairs said that the Japanese Government intended to continue bombarding the French railroad from Indo-China until the French should stop sending supplies to Chiang Kai Shek.

(END SECTION ONE)

BULLITT

CSB

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FILED  
JAN 16 1940

2

TELEGRAM RECEIVED

JT

This telegram must be closely paraphrased before being communicated to anyone. (D)

PARIS  
FROM

Dated January 15, 1940

Rec'd 7:20 p.m.

Secretary of State,  
Washington.

78, January 15, 7 p.m. (SECTION TWO)

The French Ambassador then stated that the action of the Japanese Government was totally illegal and improper and once more assured the Japanese Minister for Foreign Affairs of the fact that no military supplies whatsoever were going forward over the railroad.

The Japanese Minister for Foreign Affairs then stated that it was not simply a question of arms and ammunitions and strictly military supplies but also of all other material and supplies which might be of use to Chiang Kai Shek in carrying on war against Japan. The Japanese Minister for Foreign Affairs especially referred to the intention of the Japanese Government to continue bombing the French railroad so long as trucks and gasoline should be forwarded over the railroad to Chiang Kai Shek.

In brief, the Japanese Minister for Foreign Affairs made it clear that it was the intention of Japan to stop all traffic over this railroad.

BULLITT

EMB

3

JT

This telegram must be closely paraphrased before being communicated to anyone. (D)

PARIS

Dated January 15, 1940

Rec'd 5:45 p.m.

Secretary of State,  
Washington.

78, January 15, 7 p.m. (SECTION THREE)

The French Ambassador protested most earnestly against this statement of the Japanese Foreign Minister and pointed out that the French railroad from Indo-China was the single means of access by which countries which had an absolute right to trade with China could reach the interior of China and that the Japanese Government was threatening to cut off a vital artery of international trade by totally illegal action. The Japanese Minister for Foreign Affairs, however, was unmoved by the protest of the French Ambassador.

The French Ambassador concluded the conversation by stating that he was certain that the French Government would react in a most vigorous manner against the policy which had been enunciated by the Japanese Minister for Foreign Affairs.

BULLITT

EMB



4

TELEGRAM RECEIVED

JT

This telegram must be  
closely paraphrased be-  
fore being communicated  
to anyone. (D)

PARIS

FROM Dated January 15, 1940

Rec'd 5:42 p.m.

Secretary of State,

Washington.

78, January 15, 7 p.m. (SECTION FOUR)

Chauvel then anxiously stated to me that in his opinion  
the proper answer to this Japanese action would be to send  
a few French pursuit planes to shoot down any bombers that  
the Japanese Government might send against the French rail-  
road.

He intended to discuss this matter with Eger this  
(action?)  
evening and obtain act of the most vigorous sort. He expect-  
ed to communicate to Saint-Quentin the substance of the tele-  
gram that he had given me to read with a statement as to  
the course of action which the French Government had decided  
to pursue for communication to the Government of the United  
States.

BULLITT

EMB

5  
**TELEGRAM RECEIVED**

JT

This telegram must be  
closely paraphrased be-  
fore being communicated  
to anyone. (D)

PARIS

FROM Dated January 15, 1940

Rec'd 7:26 p.m.

Secretary of State,  
Washington.

78, January 15, 7 p.m. (SECTION FIVE)

At this point I mentioned the fact that I had taken lunch  
with Mandel; that Mandel had referred to the statements of  
the Japanese Foreign Minister and had pointed out that the  
cessation of trade over the railroad would interfere most  
seriously with American trade with China and had asked if  
in the course of further conversations on the subject of  
the trade treaty between the United States and Japan it might  
not be possible for our Ambassador in Tokyo to mention our  
displeasure at a policy of the Japanese Government which  
seemed to be an attempt to cut off our trade with China by  
illegal action.

BULLITT

EMB

6 TELEGRAM RECEIVED

RFP  
This telegram must be \_\_\_\_\_ Paris  
closely paraphrased be-  
fore being communicated FROM Dated January 15, 1940  
to anyone. (D)  
Rec'd 7:35 p.m.

Secretary of State

Washington

78, January 15, 7 p.m. (SECTION SIX)

Chauvel said that he did not wish to make any such suggestion officially or crudely to the American Government but obviously the French Government would be very grateful for anything that the Government of the United States might do to preserve the right of all nations to trade by way of the railroad through Indo-China.

While I was with Chauvel, Leger telephoned to say that Mandel had suggested to him that the Japanese should be permitted to send an observer to make certain that no military supplies were going forward over the French railroad at the present time. Chauvel expressed his entire hostility to any such action and expressed the opinion that it was based on a misapprehension on Mandel's part of the true situation. Mandel had not seen the telegram which he had shown to me and was not aware that the Japanese had announced their intention to cut off not only trade in arms and ammunition but also all trade over the French railroad to Yunnan.

BULLITT

EMB

**7 TELEGRAM RECEIVED**

JT  
This telegram must be  
closely paraphrased be-  
fore being communicated  
to anyone. (D)

FROM PARIS  
Dated January 15, 1940  
Rec'd 7:40 p.m.

Secretary of State,  
Washington.

78, January 15, 7 p.m. (SECTION SEVEN)

He pointed out very clearly that at no time had Japanese troops been at a point within 200 miles of the French railroad. They had merely sent bombing planes to destroy it. A Japanese inspector could not be placed on the Chinese side of the line since the Chinese would kill him at once and the French Government could not with dignity permit the establishment of a Japanese inspector on the French side of the frontier.

Chauvel finally stated that he would recommend to Leger and Daladier that one or the other of them should send for the new Japanese Ambassador in Paris, Sawada, and say to him that the French Government had hoped that his arrival in Paris would be the beginning of a new and happy era in French-Japanese relations. The French Government regretted to have to say to him that so long as the Japanese Government should maintain the position enunciated by Admiral Nomura in his conversation on January 12th with the French Ambassador in Tokyo, with regard to the intention of the Japanese Government  
to

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Department of State letter, August 10, 1972  
By Milton D. ... NARS, Date 12-18-75

8

-2- #78, Jan. 15, 7 p.m. (SEC FOUR) from Paris

to continue bombardments of the French railroad through  
Indo-China the French Government would be unable to have  
any conversations of any importance with him in Paris on  
any subject.

(END OF MESSAGE)

BULLITT

EMB

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Department of State letter, August 10, 1972  
By Milton D. Shusterman NARS, Date 12-18-75

DEPARTMENT OF STATE  
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JAN - 2 1940  
DIVISION OF FAR EASTERN AFFAIRS  
COMMUNICATIONS AND RECORDS

DCR  
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FE

November 17, 1939

Causes of the Sino-Japanese Struggle  
is a repetitious distortion of facts written  
in justification of Japan's action in China  
and Manchuria. The principal interest of  
the pamphlet is the extent to which the  
writer distorts historical facts apparently  
with a "straight face". A large portion of  
the pamphlet is devoted to quoting  
Mr. Matsuoka in refutation of the Lytton  
report. A few of the more extraordinary  
passages are marked.

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✓  
S:  
Yes. Any I would  
consider that no ack-  
nowledgment is necessary.

FE: Penfield: MHP

Division of  
FAR EASTERN AFFAIRS  
NOV 22 1939  
Department of State

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Department of State letter, August 10, 1972  
By Milton O. Gustafson NARS, Date 12-18-75

**CAUSES OF THE  
SINO-JAPANESE  
STRUGGLE**

**A Justification of Japan's  
Action in China and  
Manchuria**

By  
**LEIGH CANNEY, M.D. (Lond.)**

Price Sixpence

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

CAUSES OF THE  
SINO-JAPANESE STRUGGLE

RUSSIAN AGGRESSION IN CHINA AND  
JAPAN'S RESISTANCE IN DEFENCE

A JUSTIFICATION OF JAPAN'S ACTION  
IN CHINA AND MANCHURIA

THE NORTH CHINA AFFAIR

by

LEIGH CANNEY, M.D. (LOND.)

*With the Author's  
Compliments*

*Bexhill, Sussex.*



DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quate NARS, Date 12-18-75

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The author is indebted to the "4th Report on Progress in Manchuria, to 1934," for valuable reports on the events concerned with the establishment of the new kingdom of Manchukuo, and the action taken by the League of Nations in the matter.

---

### *Introduction*

WHEN a great nation, like Japan, which has always shown peace-loving characters, having engaged in only two wars in the last three hundred years, one with China, the other with Russia, and those in self-defence, and having taken a most honourable part on the side of the Powers most unjustly attacked in the recent Great War, and thereafter been given a permanent seat on the Council of the League of Nations, is compelled by the action of that body to withdraw from that League, it becomes imperative on all those represented in this League earnestly to inquire whether the action of the League was a just one and well founded. After a study of the position in which Japan was placed in Manchuria in 1931 by her neighbours, and after due consideration of the actions taken by Japan, as she has claimed, in self-defence, after long and patient endurance of persecution, should it be found that the actions taken by the League were unsuitable and therefore unjust, compelling this withdrawal, then it would appear imperative that those represented in the League should take all steps to amend the injustice, and offer an expression of regret for the same, and sincerely desire Japan to resume her seat on the Council of the League and continue her honourable work for world peace.

To bring about such a reversal of decision may seem difficult, but if it is justly due we have no alternative to thus making the *amende honorable*, and if such be the case we will later consider whether Japan would meet us as we should desire.

## CAUSES OF THE SINO-JAPANESE STRUGGLE

### HISTORICAL CONSIDERATIONS

FIRST, then, we will consider the underlying conditions, which have compelled a peaceful nation like Japan to engage in these two wars on the mainland during three hundred years. Historically all island powers have had ever to consider the continental mainland, touching questions of their own security, and what has Japan in the past found? Their country has been very nearly conquered by some Chinese sovereigns, notably Genghis Khan, using the Chinese race in the attempt from the mainland. This grave danger passed, what next does Japan see? The slow, ruthless advance of the Russian Colossus across Asia towards the neighbouring power of China.

The Manchu dynasty of China ruled from 1644 to 1912, when the last Emperor Pu Yi was forced to renounce the throne and China proclaimed a republic.

Under this dynasty in 1687 Manchuria and China first had intercourse with Russia. The insatiable Russia later under Alexander III (1881-94) absorbed a large portion of Northern Asia, and under Nicholas II (1894) was expanding along the Siberian Railway towards Northern China and the effete little kingdom of Korea, and elaborate steps were taken to bring Manchuria under Russian control, China having ceded to Russia all land north of the Amur and between the Ussuri and Pacific and the site for Vladivostok. Russia was pressing on to Northern Korea whence the whole of the Japanese colonists had to flee for their lives. Russia sought to overcome Japan's opposition, thinking a small island kingdom in the Pacific would never have the audacity to attack a power which had conquered and absorbed the whole of North Asia. This danger Japan had long foreseen and after futile efforts to get China to guarantee the independence of Korea, Japan was herself forced to maintain the independence of Korea by a war with China and the establishment of a protectorate of Korea, and realising that Russia was endeavouring to bring the Trans-Siberian Railway across Manchuria direct to Vladivostok, and taking elaborate steps to bring Manchuria under Russian control, Japan in 1895 terminated her war with China and obtained in perpetuity the cession of the Liaotung Peninsula with Port Arthur and Dairen.

Then Russia, with the help of France and Germany, compelled Japan to restore this territory to China and immediately sought to re-establish herself in Manchuria, making a secret treaty, the "Cassini Convention," with China against Japan, and in 1898 obtained from China the lease of Port Arthur, Dalny and land adjoining, and the right to construct a railway thence northwards

( 4 )

to Harbin, with civil and criminal jurisdiction and administrative power in the railway zone, and the reconstruction of a naval station at Port Arthur and forts, and Russian penetration into Korea became acute. The deeply indented coast of Korea would afford even more powerful naval fortresses than Port Arthur. Russia had undertaken to withdraw her army from Manchuria by 1903, but she then only made further demands, including the reservation of all commerce for Russians only, and she declared a viceroyalty of the Far East, Manchuria appearing as a Russian province.

China was powerless to defend either Manchuria or Korea, and so Japan negotiated with Russia. Japan recognised a Russian Korea would place a power of enormous strength and insatiable ambition almost within cannon shot of her shores, and that if the Russian power extended from the Sea of Okhotsk to the Gulf of Pechili its ultimate absorption of all North China would be certain, that such absorption would mean exclusion of Japan and all other nations' commerce from that area except Russian. Japan endeavoured to show Russia that the three reasons—security of the Chinese capital, independence of Korea, and peace of the East—which she had brought forward with Germany and France, eight years before, against Japan's position after the Sino-Japanese War, were more important to Japan than to these three nations, but Russia refused any terms and hastened to bring out a new army and fleet. Japan had no alternative but war or permanent effacement; she fought for free and equal opportunities for all against a military dictatorship, a ruthless territorial aggrandisement, and a policy of selfish restrictions.

### RUSSO-JAPANESE WAR

After the Russo-Japanese War, 1904-5, China never showed gratitude to Japan for her efforts to establish her as a strong orderly nation able to defend her own country, and as Mr. Matsuoka said truly before the League of Nations that Japan after the war with Russia had restored Manchuria to China at a cost of hundred of thousands of Japanese lives, with no thanks from China, nor for their assistance given to the Chinese Republic's leaders, and that if they had known of the secret Sino-Russian Treaty of 1896 against Japan, that it was China which led Russia into Manchuria against Japan, the Japanese would have asked for the cession of the whole of Manchuria, and there would have been no Manchurian question at this date.

From a consideration of the above facts, and Japan's knowledge that Russia, after establishing a naval base at Vladivostok, had attempted to establish a settlement on the Japanese island of Tsushima with forts close to the very spot where Admiral Togo later, in 1904, destroyed the Russian fleet, which had come from Europe to destroy Japan, was the same power which had seized the Japanese island of Sakhalien earlier in history. We

( 5 )

are not surprised that now, after the Russo-Japanese War, Japan was relieved from the nightmare that Korea might be engulfed in the Russian hegemony and the permanent menace to her national safety of Russian naval bases there and at Port Arthur was removed, though that she must still defend herself from any such future danger is obvious, since subsequent facts and the Soviet Government's declaration that they denounced any treaty or agreement including a provision recognising the special interests of Japan, concluded under the Czarist régime, make this clear.

#### JAPAN'S SPECIAL INTERESTS IN MANCHURIA

The Ishii-Lansing American Agreement recognises the special interests of Japan in Manchuria, and the Lytton Report mentions "the long list of Japan's rights in Manchuria," as "the exceptional character of the political, economic, and legal relations created between that country and China in Manchuria" and states that "Japanese patriotic sentiment, paramount need for military defence and the exceptional treaty rights all combine to create the claim to a special position in Manchuria."

Japan had also to realise the selfish ruthlessness of the Russian power, which in 1900 at Nikolaievsk on the Amur, through a Bolshevik gang, had tortured and massacred all the Japanese residents, 700 men, women and children, and again in 1901, a year later during the Boxer rising, the Russian reprisals were so severe on the Chinese, that at Blagovestehensk on the same river, 5,000 Chinese men, women and children were thrown into the river by the Cossacks; this was only one incident in the reign of terror with which the Russians over-ran the whole province of Manchuria. Moreover, in all concessions from China, Russia insisted that all military, civil, and commercial control should be exclusively Russian.

Much has been alleged against Japan both at the League of Nations and elsewhere in regard to her so-called "Continental policy of expansion," but this must be considered in relation to Mr. Matsuoka's statement to the League of Nations, "our nation regards the issue connected with Manchuria as involving the very existence of Japan."

These two statements must be taken together in reference only to the question of the defence of Japan. The control of Manchuria and Korea is absolutely essential to Japan's existence, as against invasion by Russia or other European power. The weakness of China admitted Russia into her territory north of the Amur and allowed her to establish a naval fortress at Vladivostok, threatening Japan seriously, as we have seen, and China's continued weakness compelled Japan to wage war with her for the independence of Korea, to prevent Korea falling into Russia's hands as Manchuria had already done in part.

In spite of these warnings China remained weak to the threats of Russia, the historic danger to Japan, and actually by a secret

treaty introduced this enemy into Manchuria as her ally against Japan, an act which would have proved also destructive to China's own freedom, had not Japan, by the war with Russia, seized the reins of Manchuria and placed a limit to Russian aggression. Japan had fought these two wars in defence of her own country with absolute justice, for in both cases it was imperative to arrest Russian absorption. Her resolve in future to defend Manchukuo against any attack is a further act of absolute necessity, justice and right, for is not this the gate by which China has been threatened throughout history, and still is—and by which an enemy of Japan could threaten her with destruction. Even Russia, in the Treaty of Portsmouth, recognised Japan's paramount political, military and economic interest in Korea. Japan's annexation of the Manchurian littoral adjacent to Korea was for the defence of Korea against possible adjacent Russian military occupation. We have seen that Soviet Russia denounced any Czarist treaty which recognised special interests of Japan in Manchuria, therefore Japan must provide against all possible dangers. And as Mr. Matsuoka said before the League of Nations in 1932, this power and movement was penetrating to the heart of China over an area six times that of Japan proper, and if Japan's power were weakened by the League, would reach the mouth of the Yangtse in no time. In China Communist bands over-ran the country with their poisonous doctrines fast corrupting the people, which must destroy the nation unless checked.

#### PROCLAMATION OF INDEPENDENCE OF MANCHURIA BY THE GOVERNOR OF MANCHUKUO, MARCH 1, 1932

The fundamental cause of the trouble in the Far East is the chaotic lawless condition of China, without recognition of her obligations to her neighbours, and Japan has suffered most on this account. Republicanism has failed and Nationalism also, and the chaos of Sovietism spreads.

#### CHINA NOT ELIGIBLE FOR MEMBERSHIP OF LEAGUE

China is not such a State as the League Covenant defines as eligible for membership, *i.e.*, "a fully self-governing state." It is a fiction to represent China as a "sovereign state," and to attempt to apply treaties and pacts thereto.

#### THE BOYCOTT

The boycott is the Chinese instrument employed against her imagined enemies, resulting from propaganda, against England in 1927, six times against Japan, so virulent and cruel as to cause three Shanghai Incidents, and ferocious and virulent in Manchuria leading to the September, 1931, Incident, and now again, 1937, in Shanghai.

The boycott, now lifted to the dignity of a sanction by the League of Nations, must lead to untold trouble, so virulent and

violent as to be rightly termed "war without guns." After Shanghai, 1932, 600,000 people were homeless, 200,000 workless, 900 factories destroyed, and in spite of the truce following, the boycott goes on, and Chinese intellectuals quote the sanction or excuse of the same by the League of Nations.

The boycott cuts off food, and employs many cruelties to compel a foreign power to give up its treaty rights.

Throwing bombs at a coal dealer who sold Japanese coal.

Threatening letters to those who assisted Japanese, signed "Blood and Iron Group," "For punishment of traitors."

Ward Price said we should help Japan to find markets, naturally in China, and so we should get the anti-Japanese boycott lifted, and help to stop the continuous civil wars of the war lords.

#### SEPTEMBER 18, 1931, INCIDENT, MANCHURIA

In Manchuria before the Incident, September, 1931, Marshal Chang Hsueh Liang's army was 250,000 and he had the great arsenal of Mukden. The Marshal had had associations, lectures, and broadcasts against Japan, open demands for the rendition of Port Arthur, Dairen, etc. The Koreans were persecuted, two Chinese who had been trained in Japan were murdered. Barracks were placarded with anti-Japanese slogans. Bandits were instigated to raid railway towns. At Mukden it was unsafe for Japanese to enter Chinese sectors. Japanese women were abused by day and men assaulted. Japan had 600 miles of railway to protect and only 11,000 men to do so. In the Chinese barracks was found a plan, 400 pages of Chinese, for a general drive against the Japanese.

It was not the explosion on the railway line which caused the Japanese to attack, but the firing of the Chinese troops on the Japanese railway guards. The Marshal from Peiping told his men to feign submission to Japan until the Chinese forces in Chinchow were ready, and then attack in unison. The explosion that night was not physical, but moral, political and spiritual.

Chang Hsueh Liang had insulted Japanese generals and diplomats; he taught his men that the Japanese Army must be driven out by his superior army. China, acting on the world peace theory, thought Japan's hands were tied by the League Covenant, Peace Pact, etc. The tension was extreme.

#### THE LEAGUE GIVES ORDERS

The League now telegraphed a warning to Japan against advancing to Northern Manchuria, where General Ma had 30,000 men. Marshal Chang telegraphed to Ma to exterminate the Japanese army. Owing to the American and League interference, Japan halted, with deplorable effect. It encouraged the Chinese army at Chinchow, and the Chinese army and bandits advanced on Mukden and the Japanese. Then Japan drove the Chinese army out of Manchuria, and Secretary Stimson stated to China and

( 8 )

Japan he would not recognise a treaty contrary to the Peace Pact. The League telegraphed Japan: "Withdraw quick," a quite impossible order. Japan did not realise she had brought all Manchuria on her hands. Japan had only wanted respect for treaties and agreements and was not interested in a secession movement one way or another. Japan opened conversations with Chinese (Nanking) for a settlement amicably. Had the League told the two to get to business, independence of Manchuria would have been forestalled—but *No*—Japan must first withdraw troops, an impossible request, and the young Marshal was led to suppose the League would be against Japan, and that she would be forced to leave without security of her treaty rights. Such defeat Japan could not accept. The League prolonged the deadlock till the new government was formed. It was the League who effected the birth of Manchukuo.

#### SOVIET DOCTRINES

Manchukuo is an experimental buffer between Russia and Japan and between chaotic China and Japan. Japan and Manchukuo, with most of the world, are convinced Russian doctrines and methods are dangerous and derogatory to the existence of States. Hundreds of Chinese students are trained in the Communist schools of Russia. In 1925 the Chief of the Political Department of the Soviet Army said everything must be done for the development of the revolutionary movement in the Far East.

#### CHIANG KAI-SHEK AND COMMUNISM

At this time the great menace to Chiang Kai-shek and his "National" Government was the Communist army and its central headquarters at Juichin, in Kiangsi, its influence extending far over China. Between 1931 and 1933 he employed his army of 300,000 in the anti-Communist campaign. Appalling ravages were wrought by the Communists in the provinces, hundreds of thousands being killed, and millions of refugees homeless. But the Red Armies got control again, and issued a proclamation to all workers that the Republic of Soviet China will recognise no unfair treaties between capitalistic governments and China's bourgeois government, all international bonds issued shall be void, all leased territories restored, armies and navies of imperialistic countries shall be cleared out of China, no foreign interference over China allowed. Banks, factories, mines, and public utilities owned by such foreign Powers shall be taken over.

The danger to China, till recently, is not a Communist revolution as in Russia, but an increase of the chaos and disorganisation which has thus fallen on China for twenty years.

The private armies of the war lords are an even greater curse to China and a peril to Japan.

Since the Washington Conference, which took note of all these evils, had expressed to China the hope for improvement, but

( 9 )

without any active help or interference, China's position is far worse now.

#### CHINA'S CHAOS : REMEDY

There is no possibility of China mending her condition without compulsion of the united Powers. The League of Nations takes no notice of these evils, but actually sat listening to the Chinese delegate at the Disarmament Conference declare, "China is a true democracy, it is consequently peaceful, it has its declaration of the Rights of Man. It fights against war by practising justice. It must succour the weak and help the fallen. After many years of internal strife, my country has quite recently achieved national unity and political stability." Such moonshine is amazing.

#### M. JULES CAMBON AND SOVIET RUSSIA

M. Jules Cambon, in his article on French foreign affairs, says the policy of the Soviet Government in the Far East may differ in method from that which the Czarist Government followed, but it does not differ in spirit or objective. Thus they have obtained control of Outer Mongolia, and this is a serious concern of Japan. About 1925 General Bluecher of the Red Army, under the name of Galen, was sent to Canton to train the Nationalist Army, and to lead it towards Nanking, sweeping before it British influence along the Yangtse river, and he was recently commanding a large army in the Maritime Province of Siberia, on the borders of Manchukuo.

#### COMMUNISM IN MANCHUKUO

The Communist International works in Manchuria through the Chinese Communist Party, which is financed and directed through the Communist International (October, 1930), and has urged the establishment of a Soviet Government there by armed riots. They urge the formation of Red Labour Unions along the Chinese Eastern Railway, also strikes in Mukden were to be instigated by the North-Eastern University, and in various public services. Also inciting disturbances among the peasants in North Manchuria, while Russians and rich farmers were being done away with. Two schools or universities were established in Moscow to train students from all Oriental countries, especially Korea; hundreds are trained annually.

The Soviet Government always states that it is never interested in propaganda abroad, and if there was any in Manchuria it was the work of the Third International over which it had no control.

But it is obvious that this severe persistent Red propaganda and the resulting formation of destructive Red Armies in China, in addition to the war lords' private armies, has resulted in frightful chaos and animosity to her best friend Japan, against whom she has been persuaded by severe boycotts and propaganda

to maintain a perpetual state of hostility, resulting in Shanghai, 1932, and now again on the frontiers of Manchukuo, and in International Shanghai, 1937. If the Powers had done, as Japan proposed in 1932 after Shanghai, taken over full control, enlargement, and reorganisation of Shanghai and the treaty ports, with proper defence, the present affair and destruction in Shanghai would have been foreseen and prevented.

Count Katsura, Prime Minister of Japan in 1904, said: Russia is and will continue to be the great disturber of peace of the East; there will be no permanent peace till she is put in bonds she cannot break. This was the object of the Russo-Japanese War, security of the Empires of Japan and China, and as a further result of the war the partition of China between Russia, Germany, France, and Great Britain was at once halted.

#### COMMUNISM SPREADS

Since the formation of the Chinese Republic all parties in China have adopted Communistic propaganda against Japan and the Powers; the abolition of treaties, Japanese control of Manchuria, the one essential to peace in the East, was to be overcome. All these conditions, hostile to both China and Japan, were existing in China and Manchuria at the time of the outbreak in Manchuria of September, 1931, which resulted in the establishment of the new Manchukuo Government, and the action taken by the League of Nations against Japan, at the outbreak of hostilities, paid little or no regard thereto. Before reviewing the League's action we must note that the League of Nations for years had allowed the conditions, above noted, of severe destructive propaganda by the Third International, resulting in the formation of destructive armies causing utter chaos in China, with successive hostile, cruel boycotts against the Japanese in China, without taking any action until the natural consequences of Japan's resistance to the same took place. Although all the members of the League were pledged by the Covenant to preserve against aggression the political independence and territorial integrity of China, as a member, Japan alone had for thirty-five years before the Incident done her utmost, including fighting two wars, to preserve this integrity of China against external aggression, and had saved Manchuria, Korea, and North China from becoming an exclusive Russian Province and prevented the division of the rest of China amongst the Powers.

Thus Japan had, at enormous sacrifice of men and money, done far more than all the other Powers together to fulfil her covenant with the League of Nations to preserve China against aggression and actual absorption.

She had for years, in the face of ferocious, virulent and cruel boycotts, insults, and personal attacks, "given China every opportunity to put her house in order" and preserve her integrity, as promised by the Nine Power Treaty and Kellogg Pact.

Moreover, the Manchurian situation and China's utter chaos and disorganised state, with her many Sino-Japanese treaties all broken, made the application of the League Covenant and other international agreements or pacts theoretically impossible. Japan having acting in self-defence in Manchuria had violated neither the Covenant, Nine Power Treaty, nor Pact of Paris. The responsibility was with anti-Japanese activities encouraged by China and the government of Chang Hsueh Liang.

#### JAPAN ACTS IN SELF DEFENCE

Japan rightly claims in September, 1931, she was acting in self-defence, which was a right which the treaties and pacts could not but allow, and was expressly provided for by the Kellogg Pact. We have seen she had been forced so to act.

The explosion on that September 18, 1931, blowing up the Japanese railway line was not physical but political, part of a pre-arranged hostile attempt to destroy the Japanese and drive them out. The Japanese soldiers soon found the Chinese soldiers in large numbers were gathered against them, and the action developed. We have seen the whole of the Chinese hostile propaganda and boycotts arranged to this end. Neither the English, French nor Americans in similar circumstances would have acted otherwise and in self-defence. All Japan wanted was respect for her treaty rights, and her agreements honoured and hostile boycotts stopped—instead, as a result of China's disloyalty, she found she had all Manchuria on her hands, and her vast interests and investments and the lives of thousands of her people to be defended. At this critical moment all the League could do was to send urgent futile messages to Japan to "withdraw troops quick, quick," which would have allowed them to be overwhelmed by Chang's vast forces of over 100,000—an impossible request in the circumstances. The Lytton Report stated: The Japanese action *that night* cannot be regarded as a measure of legitimate self-defence, "though the *officers on the spot* may have thought they were acting in self-defence." This is sufficient as they, the officers, were the judges and not the Lytton Commission, nor the League of Nations, as to their duties in self-defence. They were the men responsible to their Emperor for the lives of their compatriots and their comrades, and their judgment is considered final in the various pacts, notably the Kellogg Pact. The League sent out Lord Lytton's Commission of Inquiry, and we must consider certain findings of this Commission, noting that some of these were totally ignored by the League.

#### LEAGUE REFUSES CONCILIATION

The main action of the League in the first stages was to insist on Japan's withdrawal of her railway troops within the lines of the railway zone, before allowing any steps of pacification and conciliation to be undertaken, which would have made the Chinese

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Marshal think the League was against Japan and that she would be forced to leave without security for her treaty rights. Japan could not accept such a defeat, so the League prolonged the deadlock till the new Government was formed. It was the League which effected the birth of Manchukuo. Japan had informed the League she would negotiate with China on five principles regarding the security of Japanese treaty rights, Chinese territorial integrity, and cessation of all hostile acts to Japanese nationals in Manchuria. These terms were reasonable and yet the League persisted in an order to withdraw and obtain no security, and refused to help in a policy of conciliation.

#### MANCHURIA NOT AN ORGANISED PART OF CHINA

This led to the formation of a new government in Manchuria. It must be noted that no recognised government of China had ever controlled Manchuria, and since 1916 Chang Tso-lin had governed Manchuria and in 1922 had declared its independence of China and established the cruellest military government ever known, and the people thus continued to suffer under his successor, Marshal Chang Hsueh Liang. After the Manchus had, in early times, established their rule in China, Manchuria and Mongolia were regarded as an extra-mural region apart from China proper. The Manchus regarded it as a reserve for the Manchu race, forbidding the entry of Chinese, and in times of danger the Manchu Emperors took refuge in the Palace of Jehol, a reserved detached capital in that province.

Thus Manchuria was never an ordered integral part of the Chinese Empire proper. The Lytton Report rightly enumerates "the long list of Japan's rights in Manchuria, which constituted the exceptional character of the political, economic, and legal relations created between that country and China in Manchuria" and states that the Japanese "patriotic sentiment, and paramount need for military defence and exceptional treaty rights" all combine to create her claim to a "special position" in Manchuria.

Mr. Matsuoka stated at the League "No nation would welcome peace in China and a unified China more than Japan." "Japan had devoted her utmost energy towards maintaining peace throughout Eastern Asia. For this very policy she took up arms against Russia in 1904-5 and restored Manchuria to China after sacrificing hundreds of thousands of Japanese lives, for which she received no word of thanks from China."

#### EARLY STEPS TO MANCHUKUO

It was alleged by the Lytton Commission that the independence movement in Manchuria was not a movement of the people, but was inaugurated and carried through by the Japanese as a solution of the situation that arose after the September 18 Incident. Japan's reply to this at the League was that neither the Japanese government nor the Headquarter's Staff gave the

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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

movement any encouragement. In fact on September 26 the Minister for Foreign Affairs, and the Minister for War, both issued instructions forbidding participation by the Japanese in any attempt to establish a new political authority in Manchuria.

It may be that the movement could not have been carried out but for the presence of Japanese troops, as the Lytton Report suggests, but the troops were there merely for self-defence; but that the movement took advantage of their presence does not alter the fact of the spontaneity of the movement. That the Commission received 1,548 letters from unidentified Chinese is only remarkably few (1 in 20,000) of the inhabitants, against the new régime, and considering the activity of the Chinese propaganda is rather a tribute to Manchukuo; moreover, evidence from gatherings of thousands in favour of Manchukuo, supported by testimony of responsible delegations and leading citizens, is dismissed by the Commission as due to Japanese influence, and concludes by saying "there is no indication that this government will be able to carry out many of its reforms"; such a statement was most unwarrantable against a great and highly civilized country like Japan, which later, at the request of the Manchukuo Government, was ready to assist in every way in establishing a pure, high-principled government and also to render military assistance and support, her treaty rights with China being fully respected by the new government. Subsequent history has shown that most remarkable progress has been made in all branches and services.

The Lytton Report was considered by the Council of the League and Assembly late in 1932.

#### LEAGUE ACTION

After the Incident of September 18, 1931, the League had requested Japan to withdraw her troops to the railway zone. Japan agreed to do so, "in proportion as the safety of lives and property of Japanese nationals is assured." But the conditions became actually worse, violent assaults were common in Manchuria, and Chinese and bandits' attacks on the railway lines in all directions made it impossible to withdraw troops. The League now unanimously passed a resolution providing for the complete withdrawal within the railway zone by November 16. The Japanese representative objected to this arbitrary time-limit, as the Chinese were utterly powerless to prevent disorders in the areas of their control. However, Japan attempted to do so, as security would permit, but disorder became worse and widespread. A Japanese railway bridge over the Nonni River was blown up. All attempts by Japan amicably to settle this failed, so Japan advanced. The bandits and Chinese troops, stirred up by the Chinese Marshal Chang Hsueh Liang, made disorder far worse, as they tried to destroy the South Manchurian Railway system. Then Japan drove them out over the Great Wall,

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January, 1932. The League denouncing the independence of Manchukuo was the chief cause of Japan's withdrawal from the League.

In order to bring about pacification between the two peoples, and to secure safety of the lives and property of Japanese, Japan asked the League to assist in bringing about direct negotiations. The Council refused to do so, and insisted on withdrawal first, which simply meant re-establishing the chaos and disorder.

#### THE LYTTON REPORT

Then Japan asked for a Commission of Inquiry, which resulted in the Lytton Report, and as regards this document, Japan states: "Admirable and praiseworthy as it is, one cannot look upon it as containing all the facts and necessary historical background for a final judgment." Japan handed in her observations to assist the League. Japan objected to the statement "that the maintenance and recognition of the present régime of Manchuria could not be considered as a solution."

Japan also objected to non-member States of the League taking part in the settlement of the dispute, and also to the League's attitude in encouraging China not to approach Japan for negotiation, and she insisted on the vital importance of Manchukuo as a guarantee of peace in the Far East. Mr. Matsuoka insisted that the verdict given that the Chinese boycott against Japanese trade was a legitimate retaliatory measure, and said it would establish a very dangerous principle.

#### MENACE OF CHINA'S CHAOS

The Lytton Report (September, 1932) states: "The weakness of the Central Government of China, since the revolution of 1911, will continue a menace to world peace and world economic depression" and states: "Japan has suffered more than any other Power from the lawless conditions." It also mentions "Japan's activity, without which Manchuria could not attract and absorb such a large population."

The Commission's recognition of the Chinese boycotts of Japan brings its views on this question into alignment with those of Russian Communistic propaganda, and so is absolutely hostile to Japan's views and safety and, moreover, allowed China to say the League approved her methods.

Chapter III, Lytton Report, states: "Manchuria was admittedly a part of China; but it was a part in which Japan had acquired or claimed such exceptional rights, so restricting China's sovereign rights, that a conflict of the two countries was a natural result." This statement disregards the fact that Chang Tso-lin had declared at different times its independence from the National Government, and also disregards the fact that these rights of Japan, legally granted by China, were not unnaturally accorded as Japan had at the cost of hundreds of thousands of

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Japanese lives saved Manchuria and Korea from absorption by Russia, and would continue to do so under the treaty arrangements between Manchukuo and Japan.

#### LYTTON REPORT

Chapter VIII states: "The economic interests of Japan and China are not irreconcilable, indeed their reconciliation is necessary if the existing resources of Manchuria are to be developed to the fullest extent." And yet the League insisted that no attempt at conciliation should be allowed, until Japan's troops placed themselves under the orders of the League, in the midst of their dangerous position.

This was not the case of one country violating the frontier of another, but one country, China, attacking the nationals of another country to whom she had granted definite legal rights, by means of organized attacks on their railway and lives by propaganda, boycotts, and rail destruction. China is therefore the aggressor.

Moreover, the Japanese rightly contend that their military action in Manchuria was a legitimate act of self-defence, and the declared independence of Manchuria from China a spontaneous movement of the local population, and therefore both were consistent with the League Covenant, Kellogg Anti-War Pact, and Nine Power Treaty of Washington. The Lytton Report next rightly states that "the restoration of the *status quo ante* (before the Incident of September 18, 1931) would merely be to invite a repetition of the trouble," and yet the League attempted to force Japan into this position by the order to withdraw within the railway zone.

The Report also stated that "Recognition of Manchukuo was incompatible with existing international obligations," although the people desired this.

It states further other Powers, especially Soviet Russia, have important interests to defend in this Sino-Japanese conflict—this is a total disregard of the danger both to Japan and China in allowing Russia special interests in Manchuria.

#### REPORT'S GENERAL PRINCIPLES

The Lytton Report then enumerates ten "general principles to which any satisfactory solution should conform."

Of these, No. 2: "Consideration for the interests of Soviet Russia" which "interests" had been largely the cause of this trouble and that at Shanghai, by permitting propaganda against Japan, and in causing such terrible chaos and suffering in China itself. No "interests" of this character can be admitted by Japan.

No. 6: "Provision for settlement of future disputes." The Report states that no progress is possible till the chaos in China is mended.

No. 7: "Manchurian autonomy consistent with China's sovereignty." Which China is intended? Seeing that at the time there were half a dozen Chinas existing, each against the other, north, south, east, and west, some directly under Soviet influence.

No. 8: "A local gendarmerie effective for the purposes of internal order and security against external aggression."

That is, able to suppress 300,000 bandits, and resist a possible Russian or other invasion, at a time when blood money was freely offered by the defeated Chinese generals for the lives of Japanese officers. The Japanese, who alone knew the immensity of such a problem, realised the absurdity of this proposal.

No. 10: "Establishment of a temporary international co-operation in the internal reconstruction of China."

#### JAPAN'S OBSERVATIONS ON THE REPORT

The Japanese observations on the Lytton Report were placed before the League Council, November 18, 1932. Japan observed that the Commission's shortness of time available could afford them only a superficial impression, and that if they had visited South China their optimism regarding the Chinese situation would have been much modified.

They stated that important items of information from unimpeachable sources, presented by Japan's representatives, had been disregarded, and information from obscure or unknown quarters was used to corroborate Chinese contentions as against those of Japan.

This was especially the case in the Report dealing with the Incident of September 18, and with the establishment of the State of Manchukuo.

They naturally disclaimed "the bitter feelings towards the Chinese," as the Lytton Report suggested, whereas "Japan looked forward to ages of prosperous and neighbourly co-operation."

Contrary to the Lytton Report, conditions in China were much worse than at the time of the Washington Conference. Japan agrees with the Report that the Chinese boycott is due to the National Party, and that this party's actions are sanctioned by the National Government.

The Report also stated that Japan has suffered more than any other Power from the lawless conditions and by China's denunciation of extra-territorial rights, and with the lack of security and justice to foreigners. The Lytton Report refers to Manchuria as "an integral part of China"—this was only due to the fact that the Manchus occupied the Chinese throne, which had disappeared with the fall of the Empire; and the Republic had failed to establish authority there, and the collapse of the United Republic in 1916 signalled to all Chinese the break-up of all unity of government in China, and the subsequent military rulers of



Manchuria affirmed its independence. Never, in fact, has any recognised government of China controlled Manchuria.

Japan does not consider that her "exceptional treaty rights in Manchuria" conflict with the sovereign rights of China," as the Lytton Report states, nor does Japan in consequence assert any right to intervene in the administration of Manchuria, but finds a position in which "Japan must defend herself with uncommon energy against military attack." The Japanese rights granted by a sovereign state do not conflict with but are derived from the sovereignty of China.

#### LYTTON REPORT AND TREATY RIGHTS

The Lytton Report does not condemn China's treaty violations, but excuses it as part of a nationalist programme of emancipation. As to the Incident of September 18, the Lytton Report states the Chinese had no plan of attacking the Japanese troops, or endangering the lives of Japanese nationals at the time. The Japanese had a plan of defence for such emergency and put it swiftly into action as they were outnumbered twenty to one with vast munitions in China's keeping—and be it remembered "the right to pronounce a decisive opinion on an act of self-defence falls solely within the appreciation of the interested state," as stated by the Briand-Kellogg Pact, as all signatories know.

The Lytton Report states the independence movement was "inaugurated and carried through by the Japanese" but this has been shown to be incorrect. With regard to the "principles" and "suggestions" for solution of the Sino-Japanese dispute in Chapters IX and X of the Lytton Report, Japan considers the principle of international co-operation in Chinese reconstruction might lead to international control, and also as regards Manchuria, and could not be acceptable to Japan or Manchukuo. China also having no central government would not be able to agree or consent, and it would only lead to confusion.

The suggestion of demilitarising Manchuria and keeping peace by a special international gendarmerie is not practical for a vast territory like Manchuria, and would increase unrest and disturbances.

Japan agreed with the Lytton Report that nothing can be done effectively until there is order established in China, which would take many years, and Japan cannot wait for such an uncertain eventuality.

Japan says work for stabilisation of peace and good government in Manchuria, which is already far advanced, and this may pave the way for progress and order in China.

Japan stated to the League "there are passages and even whole sections in the Lytton Report with which the Japanese government are in entire accord."

Japan could not agree with the optimistic view taken in the report with regard to China, pointing out that China is a country

so disrupted that foreign troops and naval vessels have had to be stationed within it for over thirty years.

The established state of Manchukuo appears to Japan the only solution possible, and the amazing progress made in a short time controverts the pessimistic view of the Commission's Report.

Mr. Matsuoka stated to the League, "It was unjust to make Japan responsible for what had happened in Manchuria. Japan did not seek the change, and had the rights, interests and lives of the Japanese people been free from deliberate, destructive efforts, there would have been no change." He concluded, "We want only peace. We want no war with any nation. We want no more territory. We are not aggressors. We desire deeply and earnestly the welfare of our great neighbour."

In spite of these absolutely truthful statements, the League of Nations could only, by its orders and requests to Japan, make her position so intolerable that she was forced to retire from the League. Mr. Matsuoka stated to the League their principal disagreement with the Report was the sections dealing with China's disordered condition, and its expressed optimism of China's power of rehabilitation, and he stated that the present Chinese government, which had originally come into existence with Soviet aid in arms, men and money, and is still imbued with the so-called "revolutionary principle," was not content to injure our trade interest in China proper, but extended its campaign against us into Manchuria with the avowed purpose of driving us out of that territory, territory which we through war with Russia had returned to the Manchu dynasty twenty-seven years before. The facts that our rights and interests were assailed and in some cases Japanese subjects had been attacked compelled Japan "to act in self-defence."

He also referred to "the craft of propaganda" which had been put to effective use in shaping "world opinion" against Japan, which caused the Chinese leaders "to believe that these western countries would interfere and save them from the consequences of their anti-foreign policy as applied to Japan, thus making the solution more difficult." The Japanese Government had not sought protection from the League. Japan could not do so, on account of inevitable delay, and she had to deal with imminent danger, and also the authority of China did not extend to Manchuria and, thirdly, Japan was dealing with a country which had adopted a policy of unilateral abrogation of treaties and conventions, a condition in which the League could not afford protection. As in the Shanghai affair of 1927 Great Britain, Japan, France, and the United States sent troops and neither the League nor China protested.

The British, French, German, and Italian representatives on the League were in favour of assisting Japan in the realities of the situation, to the exclusion of theoretical arguments, and in favour of conciliation.

Mr. Matsuoka truly stated that if the object of the League is really world peace—and peace in the Far East—strengthening Japan's position will be the only means to attain it.

Japan insisted that the independence of Manchukuo was absolutely essential for a basis of settlement between China and Japan. This, we have seen, was historically necessary to Japan, for when China was in possession of Manchuria she admitted Russia, the enemy of China and Japan, to possession of Port Arthur and allowed her to make Manchuria a Russian province, in return for her being an ally against Japan, by the Cassini Convention, and yet Japan, after the defeat of Russia, returned Manchuria to China, only to experience later China's hateful propaganda and hostile boycotts instigated by Soviet Russia.

#### LEAGUE'S MISTAKES

The mistake made by the Lytton Report and the League was failure to realize the absolute necessity of Manchuria being in Japan's hands or of those of a friendly allied China, ready with Japan to defend their mutual interests and safety against external aggression. The failure of both the Lytton Report and the League to condemn this hostile propaganda and boycotts system, which besides bringing about three Shanghai Incidents, was responsible now for this present war of self-defence against China to ensure Japan's and Manchukuo's safety. The Lytton Report had insisted on the need for practical efforts of conciliation between the two countries, yet the League determined not to allow these efforts, insisting on their own military orders to Japan, which were impossible.

The Lytton Report stated any settlement of Manchuria must consider the interests of Soviet Russia. The interests of Soviet Russia were to spread Communism there as it has done in China proper with such terrible results, and the stirring up of anti-Japanese propaganda. What right had the Lytton Report and the League to propose to spread this baneful influence to Manchukuo?

The fourth principle of the Lytton Report was "the recognition of Japan's rights and interests in Manchuria and her historical associations therewith," but it was unnecessary by Principle 5 to make a new treaty between China and Japan on the basis of existing treaties.

Principle 7: "Adoption of Manchurian autonomy, consistent with China's sovereignty and administrative integrity." This is a contradiction in terms, and would mean a return to the *status quo ante* and impossible for Japan to accept—a mere dream.

Principle 8: "Establishment of a local gendarmerie, responsible for internal order and security against external aggression."

In the face of 300,000 bandits, and Communist determination to upset any plan, who was going to serve in this force without

speaking Chinese, with a price set on his head, and how was the League going to carry this out? The plan was quite impossible and absurd, as Japan insisted.

Principle 10: "International co-operation in the internal reconstruction of China." How was this to be carried out in the face of the Chinese and Communist war lords, who had no wish to be "reconstructed"? A mere chimera!

The last chapter of the Report presents four beautiful treaties of conciliation, etc., between the two countries, totally unmindful of the fact that the Communist forces were determined that no such amicable ending should materialise.

Note carefully "general treaty and foreign relations" were to be reserved for "the Central Government of China," ignoring the fact that no such Central Government existed in the Chinese chaos, and that Japan could not risk having to face another treacherous Cassini Convention or Russian war.

The Report rightly suggests that in the Chief Executive of their suggested new Manchurian autonomy a substantial proportion of foreign advisers should be Japanese. This was one of Lord Lytton's brightest ideas. Fortunately Japan has already seen to this in the existing Manchukuo. The Report stated Manchukuo was inconsistent with international obligations, but what obligation existed preventing any part of China declaring its independence as Manchukuo had done? It also expressed doubts if Japan's military occupation for an indefinite time is the most effective means against external aggression and yet Japan had once fought a war against Russian occupation costing her hundreds of thousands of lives and then handed over the administration of Manchuria to China, and was prepared to do the same again if necessary. No Power in or outside the League could be found to give such security to China against external aggression.

Looking at the phenomenal happy progress of Manchukuo, when Pu Yi, the descendant of the most able Manchu Emperors of China, was proclaimed Emperor of the new Manchukuo Empire on March 1, 1934, contrasted the splendid progress of Manchukuo with the deplorable conditions that still continued in China. "Twenty years of Republican rule," he said, "have brought the 400,000,000 of that unhappy country, disunity, poverty, suffering, corruption, disorder, and continued civil strife. . . . It will be my policy to guide the people of this country, in the sacred doctrine of Wang-tao (Heavenly Way) in the principle of benevolent rule and the ideal that all nations should observe the Golden Rule in dealing with one another." This Emperor has been referred to by some cynics as a puppet of Japan, though competent judges who have met him refer to him as a man of brilliance, education, and mental power. That he has the guidance and help of the ablest men in Japan, and the friendship of the Emperor of that great people, a man of his ability would certainly highly appreciate the loyal support of Japan.

The Lytton Report also stated that any settlement of Manchuria should conform to the various international pacts and treaties and the Covenant of the League.

Let us be just to Japan in this matter. It can be demonstrated that Japan has never engaged in any war on the continental mainland of China which has not been either in self-defence or in defence of China or Korea against external aggression, and in this respect has done more than any other country in the world to maintain the integrity of China against aggression, and so placed herself in a class apart from all other peoples signing the Covenant of the League, and has suffered through long years of persecution together with the people of Manchuria the evil effects of an atrociously wicked military administration there, in an endeavour to fulfil the Nine Power Treaty in giving China "full opportunity to work out administrative reform"—but in vain—till at last she had to use force to defend herself as provided for in the Kellogg Pact—a self-defence recognised by the Lytton Report as possibly necessary in the opinion of her officers on the spot, who must be the sole judges. So that the accusations of the League on this point and their finding cannot be maintained, and needs immediate reversal and expressions of regret.

Russia is an aggressive Communism and should give an account to the League for the sufferings she has caused in China, and be invited to close the Sun Yat Sen College in Moscow for training Chinese in revolutionary methods, and assist in the cessation of nominating policies of all Chinese parties now advocating the abolition of all treaties between China and other Powers, especially Japan.

The Lytton Report states "until China has a reliable central government nothing can be done between Japan and Manchuria." This correct statement contradicts the possibility of many of its recommendations and principles being realisable. Neither the League Council, nor the Assembly, nor the Committee of Nineteen, was disposed to give Japan a fair hearing. They were guided by their preconceived prejudices.

The Lytton Report rightly stated that Sino-Japanese treaties existing in 1931 are binding on both parties, and Japanese rights must be respected, also that anti-foreign and anti-Japanese boycotts employed in China involved Chinese Government responsibility, and that the organised effective gendarmerie should exist before Japanese troops were withdrawn. If the Committee of Nineteen had adopted these points, Japan would have worked with China to liquidate the Manchurian question, but the Council went wrong and refused Japan the right to negotiate with China, and "China" being divided in all directions against itself, the Chinese representatives at the League only "represented" fragments of China, and even the Report assumed that whoever pleaded for China before the League represented

an ordered effective government, and yet any "treaty" between China and Japan would, Japan knew well, have been at once assailed by the Canton Communists firmly entrenched, as took place before the Shanghai Incident of 1932. Japan knew all this and so could not accept the risks asked by the League.

The League and Lytton Report did not realise Japan was not "taking" Manchuria in a military or moral sense, but giving Manchukuo precious principles of self-government, progress, and spirituality.

The pessimistic view of the Lytton Report that it was not clear how the new Manchukuo Bank could stabilise the currencies, has been belied by subsequent amazing financial progress.

The small nations of the League and Secretary Stimson of the United States took the line of non-recognition of the new State of Manchukuo. But if Secretary Stimson had been a man of the type of that giant American thinker Theodore Roosevelt, things would have gone better for the League, the world, and China in place of this petty policy. Roosevelt's policy was based on extensive knowledge, wise and far-sighted. He wrote: "The Japanese are one of the great nations of the world, standing on a full equality with any nation of Europe or America. I have the heartiest admiration for them. Their civilisation is in some respects higher than our own. I cannot too strongly express my indignation with reckless public writers and speakers, who, with coarse and vulgar insolence, insult the Japanese people, and thereby do the greatest wrong not only to Japan but to their own country."

Theodore Roosevelt is associated with the idea of the "Square Deal," an example of which was his connection with the settlement of the Russo-Japanese war. He was, as American President, requested by Japanese officials directly and of his own motion and initiative to invite the two belligerents to come together for the purpose of direct negotiations, and to keep secret the fact that he had received such a request. This he did, hence the Treaty of Portsmouth and its effective consequences. Here is an example of what might have been done by the League in the case of Manchuria, instead of their futile policy, devoid of all sense of conciliation.

On another occasion he sent an envoy to Japan to assure the Premier that the people of the United States "were so fully in accord with the people of Japan and Great Britain in the maintenance of peace in the Far East that, whatever occasion arose, appropriate action by the Government of the United States in conjunction with Japan and Great Britain for such a purpose could be counted upon by them quite as confidently as if the United States were under treaty obligation."

Here was a lesson in Policy, and if taken in association with George Washington's declaration that, as a general principle, the United States "would recognise the government of a country which

is the *de facto* government in actual control of the administration of affairs, maintains order and meets its international obligations." The question of its legitimacy is not here raised, and yet Secretary Stimson and the League of Nations thought fit to deny the 30,000,000 Manchus, Mongols, Chinese, Japanese, and Koreans the right to reject the cruel rule of Chinese war lords; though there is nothing in the Nine Power Treaty to prevent China dividing herself if she wishes and to demand non-recognition of this new state, and by this hostile feeling of the League States towards Japan, Japan was forced to leave the League and make military preparations against the whole world, hence the failure of the last Naval Conference. Theodore Roosevelt after the Russo-Japanese war informed Germany and France that in the event of a combination against Japan to do what they had done in 1894 (*sic*) "I should promptly side with Japan even to extremes. I, of course, knew that your government (Great Britain) would act in the same way." The Americans at that time knew little of Russia's ambitions to bring Korea and Manchuria into her vast territory, so looked upon Japan's acts as aggression, which were in reality defence, and absolutely essential.

It has often been stated that Japan is dominated by a militaristic policy—but it must be remembered that her military leaders are men of great personal sincerity and integrity and have a great spiritual influence over the nation on this account.

Japan states that the Report contains many just conclusions, which however are enveloped in a mist of optimism, certain to mislead anyone not knowing the true facts. The Report recognised that "disruptive forces" were operating in China "against the central authority." It also states that "the central government is not, at least, openly repudiated" by the opposing war lords or even by the Communists.

Japan asks, "How are these statements to be reconciled?" Conditions in China, contrary to the Lytton Report, Japan states, are much worse than at the time of the Washington Conference, when hopes were expressed of an early unity and peace in China. Japan also notes China's "revolutionary diplomacy," *i.e.* unilateral denunciation of "extra-territorial rights" and the Lytton Report states "Japan has suffered more than any other Power from the lawless conditions."

Japan further states that owing to the chaotic conditions in China the Powers have had to take exceptional steps as a measure of self-protection, policing and administering whole concessions in important cities and ports, with troops and warships, a condition without parallel elsewhere in the world.

Japan states that the special position of Japan in Manchuria does not "conflict with" the sovereign rights of China as the Lytton Report states. Japan states these "rights" derive from the sovereignty of China. Japan observes that the Report not only makes no acknowledgment of the civilising work of the

South Manchurian Railway under the treaty rights, but evinces no condemnation of the deliberate Chinese policy of treaty violation, and inclines to excuse such violation on the plea of its being part of a national programme of "emancipation."

The Lytton Report failed to take account of the condition of extreme tension existing at the time of the railway blowing-up incident, and stated the Chinese "had no plan of attacking the Japanese troops, or of endangering the lives and property of Japanese nationals at this particular time." The Japanese, of course had a plan of self-defence, and put it into action when the railway was damaged and hostilities commenced on the night of September 18, when they were faced by a Chinese force of twenty to one, with vast munitions and aeroplanes.

#### JAPAN ACTS IN SELF-DEFENCE

The Report states: "Japan's military operations this night cannot be regarded as legitimate self-defence." Japan states: "It is impossible to accept this opinion, so surprising to anyone belonging to those countries signatory to the Briand-Kellogg Treaty, which states . . . the right to pronounce a decisive opinion on an act of self-defence falls solely within the sovereign appreciation of the interested State."

The Report also stated that nothing was ever heard of the independence of Manchuria before September, 1931; this was far from fact. Manchuria had always constituted a special territory geographically and historically distinct from China proper. The Chinese Government had no power to annex Manchuria and its independence was at least twice proclaimed by Chang Tso-lin. Chang's misgovernment had given rise to a movement called "Preserve the Frontiers and give us Peace."

#### INDEPENDENCE MOVEMENT

The Lytton Report states the Independence Movement of Manchukuo was inaugurated and carried through by the Japanese. But neither the Japanese Government nor the headquarters staff of Japan gave this movement any encouragement, and the Prime Minister of Japan and the Minister of War both gave instruction strictly forbidding participation by the Japanese in any attempts to establish a new political authority in Manchuria. In face of these facts it is amazing that the League should have acted on this report, accusing Japan of starting a puppet state.

The independence movement may have taken advantage of the actions of the Japanese troops, taken purely in self-defence, but this still leaves it a spontaneous movement. Later Japan having to establish relations with the Government of Manchukuo, in actual being, naturally was bound to recognise it. By which time the new state was well established and progressing amazingly well, and as Japan insisted, deserved the Commission's sympathy and

just recognition. Japan also was in accord with her undertaking under the 10th Article of the Covenant of the League, to respect and preserve "its territorial integrity against external aggression," which is nothing to do with internal developments. The recognition of the new state by Japan was sound and correct policy, especially as it promised support against the danger of external aggression, and did not violate any international engagements. Japan, because of her important and special position, cannot afford to leave that country in a state of instability.

The Lytton Report also agreed that "it was impossible for the country to return to the *status quo ante*" which "would merely invite a repetition of the trouble." Certain "principles" of the Report Japan concurred in, and these are incorporated in the Protocol signed between Japan and Manchukuo, but most were impossible without a strong government in China, and this was unattainable without long delay, for which Japan could not possibly wait.

Japan was not able to look to the League for protection promptly, as she stood in imminent danger, also China's authority did not extend to Manchuria and she had adopted a policy of unilateral abrogation of treaties.

#### LEAGUE DISCUSSION

In discussion by the League generally many smaller Powers said the League Assembly should first determine if Japan acted in legitimate self-defence and if the Manchukuo state was created spontaneously by the local people. Britain, France, Germany, and Italy urged a policy of conciliation. Baron Aloisi insisted that the League was not based on force, but was an association for collaboration and also in this Holland, Denmark, and Canada concurred.

#### SELF-DEFENCE

The Lytton Report had stated Japanese military action on the night of September 18 cannot be regarded as a measure of legitimate self-defence; speakers had suppressed the words which follow in the Report that "the officers on the spot may have thought they were acting in self-defence," and by the Kellogg Pact they are the only judges and Japan therefore rightly maintains it was a legitimate and proper act of self-defence and in this, Mr. Matsuoka said, "The whole 65,000,000 Japanese of pure blood stood up as one man as they regard the question of Manchuria as a matter of life and death," and he concluded "If the object of the League is really world peace—and peace in the Far East—strengthening of Japan's position will be the only means for realisation of this high hope"—and that recognition of the independence of Manchukuo was absolutely essential.

#### NEED TO SUPPORT JAPAN IN FAR EAST

The Draft Report of the Committee of the League states that "as regards the national reconstruction of China the policy

of international reconstruction of China had been delayed chiefly by the *violence* of the anti-foreign propaganda carried on by the use of economic boycotts and anti-foreign teaching in schools, and these activities have been pushed to such lengths that they have contributed to creating the atmosphere in which the present dispute broke out."

The Assembly insisted that "any settlement of the dispute must conform to the conditions laid down in the Lytton Report," which Japan has shown were mostly impossible of acceptance.

#### LEAGUE SUPPORTS ANTI-FOREIGN PROPAGANDA AND BOYCOTTS

At the closing meeting the Chinese representative expressed his satisfaction because "the policy of my country has been upheld," which included continued hostile and violent propaganda and boycotts against Japan.

#### JAPAN SPEAKS

The representative of Japan regretted the "failure on the part of the Committee of Nineteen to realise the actual situation of the Far East, the difficulties of Japan's position in the midst of unparalleled and appalling circumstances, and the ultimate aim that is impelling Japan in her action." He stated, "Japan has been and always will be the mainstay of peace, order and progress in the Far East." He also observed, regarding the report of the Committee of Nineteen, "while China is exonerated . . . nothing whatever is said of the work of my country and people in their long and difficult efforts to preserve peace, to promote law and order, to benefit the people of Manchuria." Mr. Matsuoka continued, "The present Chinese Government, which had originally come into existence with Soviet aid in arms, men and money, is still imbued with revolutionary principles, was not content to injure Japan's trade in China proper, but extended its campaign into Manchuria against us with the avowed object of driving us out of that territory, which we, through war with Russia, had returned to the Manchu dynasty, and so assailed us that we had 'to act in self-defence.'"

#### JAPAN APPEALS AGAINST BOYCOTTS

He appealed to the League for a thorough consideration of the boycott, as one of its primary duties was "the elimination of friction between nations." This boycott propaganda has been the direct and real cause of the struggles in Shanghai in 1927, 1932, 1937, and in North China, and will continue to cause like results again, unless the Powers take steps to stop it.

In the case of Manchuria the American Senate passed a resolution on the arms embargo, giving the President power to place an embargo, as he thought fit.

The Committee of Foreign Affairs, after hearing legal international authorities, including Judge Moore, it was pointed out that the granting powers to the President alone or in association with other governments was unconstitutional, also that: "The vice of such a resolution would be the opportunity it affords the President to pick out one 'guilty' nation and then by combinations with other Powers to struggle that particular nation in the name of peace."

Professor Borchard said, "We should be through with the business of pulling others' chestnuts out of the fire in the name of peace, or the Kellogg Pact or any other phrase invented to serve the occasion."

He also stated he doubted it would ever be possible to define "an aggressor." The House passed an embargo against arms to both countries.

The House also considered that applying boycott measures is more disastrous to the nation applying them than to the nation boycotted.

#### CONCLUSION

A survey of the preceding facts, brings out important factors in the development of the Sino-Japanese disastrous difficulty.

#### THE RUSSIAN ADVANCE

The arrival of the destructive Russian absorption process of all North Asia, on the Pacific coast found a weak China unable to defend its territory north of the Amur river and led to the rapid fall of that territory, and the construction of the fortress of Vladivostok and threats to Northern Japan. Japan recognised the threat of her Empire safety, as Russian infiltration spread to Northern Korea within gunshot of her coasts, like a pistol at her heart, and China failing to guarantee the independence of Korea, led to the Sino-Japanese War (1894) which terminated in the cession to Japan of Port Arthur and Liaotung Peninsula and a protectorate over Korea.

Russia with the help of Germany and France compelled Japan to give up the rights she had obtained from China and by a secret treaty with China she agreed to act as her ally against Japan and obtained practically the whole of Manchuria, Port Arthur, and the railway to the north, also the right to fortify Port Arthur, and was threatening to absorb Korea, a further vital threat to Japan. This act of treachery by China left Japan facing this terrible threat to her security, but she declared war on Russia, and removed the danger, taking over the South Manchurian Railway, Port Arthur, and the Peninsula again, and thus was secure for a time, but still has to face the dangerous Soviet propaganda and instigation of boycotts by that country against her, through China.

The League and the Lytton Report failed to realise the absolute importance to Japan that the defence of Manchuria, against such an external aggressor as Russia, must be either in the hands of Japan or a strong China in friendly alliance with Japan, but owing to previous experience of China such a defence must be beyond any chance of failure. Failing such a solution Japan was right in saying Manchukuo met this requirement, and was still practically Chinese, and therefore a real solution, and the only one at present admissible.

Here, it will be obvious how Japan could not accept a solution by a League Committee of conciliation on which Soviet Russia was taking part.

With regard to the question of Japan's action being one of legitimate self-defence, Japan truly states that the League and Commission did not realise the enormous difficulty for Japan in safeguarding her nationals and property, owing to the extreme tension then existing between the two peoples caused by the very hostile propaganda; moreover the Assembly took only the words of the Lytton Report that it was not legitimate self-defence, suppressing the following words of the Lytton Report, "though the officers on the spot may have thought it was," which was actually the case—and by the Kellogg Pact they were the proper judges and not the League or the Lytton Commission.

The Lytton Report recognised fully Japan's special interests and treaty rights, but took no steps to see that China respected the same.

We have seen that the independence movement was an actual true movement of the people to be free, although it may have taken advantage of the action forced upon Japan to establish its success. Strict orders had been given by the Japan Government and War Office to take no part in such movement. The Council of the League refused to assist any direct negotiations between the two countries, through the Lytton Report had stated the case required reconciliation. The League continued its efforts to maintain hostile feelings, just as they supported the boycotts against Japan, and so acted in accord with Soviet Russia's propaganda.

This was not the case of one country attacking another over its frontier, but of defending only its legally granted rights. It was China who was the aggressor, Japan was acting in self-defence, and the independence movement was spontaneous by the local population.

Again, the League against the Lytton Report's advice attempted to force Japan into the *status quo ante* renewing the trouble. What "international obligations" had the right to refuse the people of Manchukuo the right to declare their independence of the rest of China, or to force upon that new state the so-called "important interest of Soviet Russia." It is obvious that most of the "principles" advocated by the Report, such as special gendarmerie, etc., could not be carried out, as the Report states,

until the chaos in China had been controlled by international co-operation; so all the Commission's plans fall to the ground, and the new state of Manchukuo holds the field in full prosperity.

#### LYTTON COMMISSION FAILS TO CREDIT JAPAN'S EVIDENCE

It is greatly to be regretted that more credence and confidence was not placed by the Lytton Commission in the reliable and trustworthy accounts and statements of such an honourable Power as Japan, who only wished to see a just, strong, and friendly China as a neighbour. Japan truly stated, "had the rights, interests, and lives of the Japanese people been free from deliberate destructive efforts, there would have been no change in Manchuria. We are not aggressors." In spite of these true facts, the League of Nations, by its orders and requests to Japan, made her position so intolerable that she was forced to retire from the League. Japan principally differed from the Lytton Report's optimistic ideas of China's power of rehabilitation from its state of chaos and failure to condemn anti-foreign propaganda of Soviet origin, seeking to drive Japan out of that territory, which Japan had returned to the Manchu dynasty after her war with Russia, and actually so assailed Japan's rights and interests that she was compelled to act in self-defence and so urgently on account of imminent danger that she could not expect any League action could save her in time.

As we have seen, the mistake made by the Lytton Report and the League was in failing to recognise the absolute historic military necessity of Manchuria being in Japan's control, or in that of a strong China in alliance with Japan against any possible aggressor, and their failure was not to recognise that Manchukuo was the nearest ideal approach to satisfy such a necessity, and therefore should be recognised as the solution, at least for many years to come. This being the case, Principle 7 of the Report, the adoption of Manchurian autonomy, consistent with China's sovereignty, falls to the ground as unnecessary and futile as a return to the *status quo ante*, at the time of the Cassini Convention, when China had admitted the aggressor, Russia, into Manchuria, necessitating the Russo-Japanese War.

Recognising that Manchukuo was and is the only attainable solution of the historic necessity, at least at present, of a sufficiently strong Manchuria against external aggression, the need for the Lytton Report's Principle 8 is no longer necessary and that of "a local gendarmerie," which Japan has efficiently carried out.

#### RECOGNITION

Therefore the non-recognition principle of Manchukuo, adopted by the League Assembly (March 10, 1932), should be rescinded by the League, and the Japanese Government be so informed, and the *de facto* Manchukuo Government recognised in

the interests of both China and Japan, as a guarantee of peace and order in the Far East, and this being the chief cause of Japan's withdrawal from the League, might prove the means of Japan being able to rejoin the League.

It would also fulfil Principles 1 and 2, as being compatible with the interests of both China and Japan, and even Soviet Russia.

This would leave only Principle 10, the "temporary co-operation of the Powers in the internal reconstruction of China" as a suitable and urgent need for the League's consideration.

It would be essential that "general treaty and foreign relations" of Manchukuo could not be reserved for the central government of China for a long time to come.

Many good suggestions of the Lytton Report have already been adopted by the Manchukuo Government. Moreover, it has been shown that Japan has done more than all other Powers put together to defend the integrity of China from external aggression, so fulfilling the Covenant and all international pacts.

Seeing that the Japanese representatives have felt bound to state that neither the League Council nor the Assembly, nor the Committee of Nineteen, were disposed to give Japan a fair hearing, and that they were guided by their preconceived prejudices, surely a reconsideration by the League of the terrible hostility shown to the Japanese in 1931, by the Chinese army then holding Manchuria with its abrogation of all Sino-Japanese treaty rights and attacks of all kinds, will be found sufficient to justify the finding that China by these internal acts was the aggressor, justifying Japan's acts of self-defence, and her just recognition of the new Manchukuo state formed undoubtedly by the wish of the people. It was on account of such consideration in 1931-2 that Great Britain, France, Germany and Italy, Switzerland, Denmark, Canada, and some other States, urged a policy of assisting conciliation.

These States, it is urged, should now, through their Governments, request the League to reconsider the evidence with a view to establish that:—

- (1) Japan acted in self-defence.
- (2) Manchukuo was founded by the wish of the people, and was properly recognised by Japan, and is now recognised by the League.
- (3) Japan's action thereby defends China against external aggression via Manchukuo.

The League should also point out to China that the action of Japan in the past had prevented Manchuria and North China becoming a Russian province, and the remainder of China being divided up into spheres of interest by other Powers, and would assist China in future in case of external aggression from a similar direction.

**IMPERIAL RESCRIPT, MARCH 27, 1933**

Then, considering the Japanese Imperial Rescript proclaimed March 27, 1933, at the time of withdrawal from the League, "Our Empire has for these thirteen years extended consistently its co-operation to the League. Now Manchukuo having been founded, Our Empire deems it essential to respect the independence of the new state, and to encourage its healthy development, in order that the sources of evil in the Far East may be eradicated and an enduring peace thereby established. Unhappily there exists between Our Empire and the League of Nations a wide divergence of views in this regard, and it has devolved upon Us to cause our Government to take the necessary steps for the withdrawal of Our Empire from the League. However, the advancement of International Peace is what, as evermore, We desire, and our attitude towards enterprises of peace shall sustain no change. By quitting the League and embarking on a course of its own, Our Empire does not mean that it will stand aloof in the Extreme Orient, nor that it will isolate itself thereby from the fraternity of nations. It is our desire to promote mutual confidence between Our Empire and all the other Powers and to make known the justice of its cause throughout the world." (His Imperial Majesty's Sign Manual.) Countersigned by the Ministers.

Considering the above Imperial Rescript, there would appear to be every hope that if reconsideration by the League could bring about the above new views, and convey the same to Japan and China, Japan might be ready to rejoin the League, and China might realise the great advantages to be attained by her working in future in complete harmony with Japan, who only wishes to see her strong and just, and in the happiness of such a concord, attained by mutual help and trust.

We have seen that but for the hostile actions of Russia in Czarist days in Eastern Asia, both the war of 1895 between China and Japan might not have taken place, and certainly the Russo-Japanese War of 1905 would not have taken place, and that had it not been for the actions of Soviet Russia, through the Comintern, since Czarist days, the years of hostile propaganda and boycotts by China against Japan, the resulting chaos in China, the outbreak of war in Manchuria in 1931-2 would not have taken place, and peace would have reigned between the two countries. The Shanghai affairs of 1927, 1932, and now 1937 would also not have taken place.

Before leaving this aspect of the Manchurian affair we must consider again the action taken by the League of Nations in the matter, and the consequent development of the present Sino-Japanese struggle in China, to understand which we shall have to review the Communist steps taken in China leading up to it.

The boycott and Communist propaganda had been so violent and cruel against Japan, culminating in murderous attacks, and caused the Manchurian Incident of 1931, and, as we shall see, the



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North China struggle now proceeding. The boycott was lifted to the dignity of a sanction by the League of Nations ; although in Shanghai, 1932, 600 people were rendered homeless, 200,000 workless and 900 factories destroyed, the boycott still goes on, and Chinese intellectuals quote the sanction excuse for the same by the League of Nations. The League was also aware that by this means the Chinese were demanding unilateral breaking off of Sino-Japanese treaties and concessions. The League attempted to bring about a defeat for Japan by ordering her to withdraw her troops within the railway concession, thus bringing about a *status quo ante* which the Lytton Report itself stated would be quite impossible for Japan to accept. The League of Nations took no notice of the terrible evils produced in China by the Communist armies, nor of the fact that Communist propaganda against Japan and the Powers included abolition of treaties, and of Japan's control over Manchuria, the one essential to peace in the East.

For years the League had allowed all this destructive propaganda to proceed in China without taking any action until the natural result of Japan's resistance to the same took place.

The League still insisted on withdrawal. Japan agreed to do so, in proportion as conditions became safer, but the condition worsened, so much, as to make it quite impossible. The Council even refused to encourage any negotiations.

The League's and Commission's report of recognition of Chinese boycotts brings its views on this basal cause of the wars into alignment with those of the Russian Soviet, and so quite hostile to Japan's views and safety.

At the closing meeting of the League the Chinese representative expressed his satisfaction that the policy of his country had been upheld, *i.e.*, continuous hostile, virulent propaganda and boycotts, and so secured continuity of these methods which, as we shall see, were to cause the war of 1936-39.

In 1925 the Communist movement had obtained a stronghold in Canton under a Russian general, Bluecher, with its headquarters at Juichin, in Kiangsi, and at this time was the great menace to Chiang Kai-shek and his "National" Government ; the Russians hoped to utilise him in their revolution. The Cantonese movement northwards in 1926 was successful, owing to the driving force of the Russians, Chiang becoming a national figure. Then he realised the movement was being used by the Russians to establish Sovietism, and he turned on them, he made relentless military drives with an army of 300,000 on the Communist armies, and at this time favoured a *rapprochement* with Japan, but feared to mention it. Between 1931 and 1933 he employed his large army against the Communists. The Red Armies, however, got control again and announced they would recognise no unfair treaties between capitalistic states and China's bourgeois government, international bonds should be invalid, banks, factories, mines and public utilities would be taken over. They attempted

to found a Soviet state in Manchuria, and strikes in Mukden, and Red Labour Unions along the Chinese Eastern Railway. At this time all armies in China had adopted this propaganda, this being the condition when the outbreak in Manchuria took place in 1931.

Thus to understand the fundamental causes of the outbreak of war in North China on the night of July 7, 1937, one must go far back in Japan's relations with the National Government and the state of mind prevailing long in China. As a result of education in anti-Japanism, in the schools and colleges, it had become an inborn sentiment, and the Central Government has used it for consolidation and extension of its power, in fact it seemed a necessity to the Nanking Government. Since the revolution of 1912 China's government has been consistently anti-foreign, especially since 1924 when the Kuomintang set up the National Government in Canton, and entered into alliance with the Communists, and as a means of winning control of the Central Government an anti-foreign policy was pursued with vigour and ruthlessness.

Japan at this time, wishing to see China's government unified and strong, assisted China to recover control of the Customs and abolition of extra-territoriality. China rewarded her by anti-Japanism and abolition of Japan's interests and rights in China, and used this policy to mobilise public opinion against Japan, making it the foundation of moral training in the army, schools and colleges; as a result peaceful activities of Japan were interrupted and the lives of their nationals jeopardised. There were murderous attacks in Shanghai, Swatow, Pakhoi and Hankow. Japan remained calm, but made urgent requests for a change of policy.

Later, in 1936, the Sian incident took place; Chiang Kai-shek was made captive for some days, and whatever was done, shortly after, Communist influences were in the ascendant in the National Government at Nanking; then disturbances took place in North China and Manchukuo under the banner of the Anti-Japanese People's Front, leading on to July 7, 1937, to the firing by Chinese soldiers on the Japanese engaged in accustomed legal manoeuvres outside Peiping. Despite intolerable situations Japan worked for amicable settlement. However, China continued to provide the hostile anti-Japanese incidents and in spite of the Umbezu-Ho Agreement of 1932, Nanking moved vast forces to the north, threatening the Japanese garrisons and instigated the local Chinese armies against Japan. Nanking had been employing propaganda against Japan for some years, and fortifying and importing much munitions into North China, and became over-confident of their power against Japan. All Japanese residents in North, Central and South China had to be evacuated *en masse* and contrary to the Umbezu-Ho Treaty of 1932 the Chinese began to fortify in Shanghai in the demilitarised zone.

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In June, 1937, Japan called the attention of the Powers to this, but China refused to desist and finally launched an attack on the International Settlement. While Japan was working with the Powers for a settlement, the Chinese began to shell and bomb the Japanese quarter and the garrison defending it, thus attempting to destroy 30,000 Japanese residents. By these acts China was breaking established treaties and acting as an aggressor. One of the most important factors in determining China's action was the action taken by the League of Nations over the Manchurian incident, which strongly stimulated China in her anti-Japanese policy.

The League, once more, has taken up the appeal of Nanking, and on the basis of false reports, as to bombing of Nanking and Canton, adopted the hostile resolution of September 27 against Japan and again on October 6, that Japan had broken the Anti-War Pact and Nine Power Treaty, on the evidence of one only of the two Powers concerned, whereas Japan asserts truly she was acting in self-defence only, and therefore cannot have broken the Nine Power Treaty; also she could not accept the invitation to the Brussels Conference as the members of the Conference were influenced by the findings of the League of Nations.

Mr. Hirota stated in January, 1938, the "policy of Japan's Government was to eradicate the root of evil in East Asia and to make known throughout the world the justice of our cause, and to contribute to lay the foundations of world peace." One of the obvious reasons of Japan not seeking war was her great loss of economic position. Much, he stated, had been said about Japan destroying universities and scholastic institutions, but this was only done if they had been militarily occupied. On January 29, 1927, Chamberlain stated in Birmingham "the National movement is directed mainly against England. 'Down with the British' was the slogan." After this it was directed against Japan.

The outbreak of July 7, 1937, was a wanton attack of Chinese soldiers on a small unit of the Japanese garrison in North China holding night exercises on the outskirts of Peiping. By provisions of the Boxer protocol of 1900, Japan with other Powers, Britain, America, Belgium, and Italy, had the right to maintain Legation guards in Peiping and a garrison in Tientsin and other points, so there was no question of invasion. Mr. Hirota stated the abrogation of the Anglo-Japanese Alliance was deplorable, and was against the advice of every government department in London, except the Foreign Office; especially the fighting services were in favour of the Alliance. Mr. Tasaki, President of the Kobe University of Commerce, stated recently, "We must do our utmost to make Britain revise her attitude to Japan."

Viscount Ishii stated in London, February 17, 1938, "The Hong Kong boycott of 1925-6 almost paralysed the trade of Hong Kong and the subsequent anti-British movements, culminating in Hangkow and Nanking, necessitated Britain sending an Ex-

peditionary Force of 15,000 to protect their interests in Shanghai, and this history has repeated itself now against Japan." Both had to protect their respective nationals: was it fair to stigmatize one of these forces as "aggressor?" A London-Tokio axis is due to clear declarations which have been made, and the Prime Minister's realism. Closer relations of England and Japan are the inevitable sequel. The two countries should consider their intentions regarding the future of Shanghai. There is an anti-Chiang Kai-shek feeling in Canton. He tries to make the people fight Japan, but must fail in the end.

A Japanese publication of March 2, 1938, discusses the feeling in Japan on recent changes in the British Foreign Office, and thinks it is time for the formation of a London-Tokio Axis, based on the realism of Mr. Chamberlain, which is to replace vague and meaningless phrases, which should apply no more to the East than to Europe. It trusts the informal discussions proceeding in London and Tokio for some time may now become more concrete. One Japanese paper thinks the resignation of Mr. Eden is due to a fundamental difference of opinion between the Prime Minister and himself, not only as regards the Anglo-Italian issue, but British diplomacy in general.

A year ago Kai-shek was kidnapped by General Chang Hsueh Liang at Sian, and an alliance was made between the National Government and Communist elements in China, under the slogan "War with Japan." This prevented the outbreak of July 7 being settled locally. The National Government would accept no local truce to the hostilities they had stirred up by murderous incidents in North China and Shanghai, and ordered the National Army to the north, thereby endangering Manchukuo. Many able leaders of the China government knew the position of affairs, but were stampeded into anti-Japanese action by the Comintern. Nanking now liberated seven imprisoned Communist leaders, and formed a Pact with Russia.

The Washington Conference desired the reduction of Chinese armed forces, before they could withdraw their troops. In 1935 the fighting of these National troops soon reached Shanghai, and European troops had to guard the settlements. Shooting of student demonstrators in Shanghai raised a fierce anti-British campaign through China. Missionaries were killed. War-mad Chinese troops entered Nanking, attacked the British with definite licence to rob and kill foreigners. Hankow and Kiukiang were taken from the British by force. Japan recollects atrocities to her people in Tsinan. Japan's protective force is smaller than the other Powers, as regards their duties of protection.

Japan always gave notice when manœuvres were to take place and on July 7, 1937, their ammunition consisted of only one ball cartridge per man. From this date for over a fortnight continuous efforts were made by Japanese to effect armistices and an understanding, but these were repeatedly broken by the next

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day. The Chinese troops involved were the 29th Army, well known for its anti-Japanese spirit. For several months Communists and Blue Shirts had been engaged in propaganda for an anti-Japanese front. The northward movement of their armies and mobilisation of their air force compelled Japan to send troops to Tientsin to forestall China's action. The Japanese had not forgotten the recent Tsinan terrible sufferings, 189 families murdered, tortured and defiled, and their houses looted.

Directly war commenced China started propaganda against Japan abroad, representing Japan's defensive acts as a war of conquest, impairing China's sovereignty, and falsely that the Japanese troops were illegally there. Japan has shown clearly and convincingly the falsity of China's charges. By July 18, 1937, Peiping was plastered with anti-Japanese posters. On July 19, Japan stated she could not wait over the 20th unless China ceased provocation. However, more incidents and Chinese attacks followed.

Japan pointed out that the two last cases of resistance to Japan were obstruction by Chinese troops of the Japanese North China garrison in their original duty to safeguard communications between Tientsin and Peiping and protect Japanese residents.

On July 27, the Chinese Government stated an arrangement had been worked out with Japan, but the Chinese were strengthening their positions and rushing up troops, although in 1902 China had agreed that "China shall not move or station troops within twenty miles of the foreign garrisons of Tientsin." This China disregarded, and so the struggle began, followed by the terrible Tungchow massacre nearby, a tragedy without parallel in China for over 1,000 years for sheer cruelty and devilry.

What frustrated a local settlement in North China was that at the opening of the Incident, the Nanking Government telegraphed their force in Peiping to take any steps necessary against Japan. Chiang had pledged himself to fight a foe on Chinese soil, so the Blue Shirts and Communists won the day. By July 22 China had 130,000 near Changchow. Hopei and Chahar were provinces with a different status to others. They have a Council, and a large number of Japanese with vast interests live there, especially having interests in Manchukuo—hence the Council came into being. After the Manchurian incident Nanking sent the War Minister to establish there a branch of the National Military Council and concluded the Tangku Treaty Pact, working in unison with Japan. Manchukuo and China lie adjacent, but without formal communications and intercourse, but all was established by this Council and Japan working together. The Political Council settled also questions of murder of various Japanese agents, by paid agents of the anti-Japanese Nanking efforts. Nanking had resolved to upset the North China status. Nanking passed an anti-Japanese Sales of Land Act to Japanese. Nanking misjudged the friendly attitude of Japan, and also in the Sian affair when Kai-shek

was kidnapped by his protégé Marshal Chang Hsueh Liang, attributing it to weakness.

By degrees Nanking brought the leaders of the Hopei-Chahar Council towards them, a new National Defence Council was formed, to declare war on Japan. A congress of 200,000 young people offered Nanking Communist support. Two and a-half decades ago Sun Yat Sen, with the People's Three Principles, demanded abolition of unequal treaties, foreign rights acquired by conquest. An age of chaotic civil wars followed. The Chinese National Party had to contend with powerful war lords, and only could rule part of Canton. Then Moscow's help was extended to the Kuomintang. The Canton revolutionary government started war on British Imperialism, and held Hong Kong by the throat.

Then under cadets from General Kai-shek's Military Academy at Whampoa revolutionary armies swept up to Hankow. Then a split; Chiang Kai-shek separated himself from the Left. The National Party set out to conquer China. "Down with foreign Imperialists." Great Britain abandoned Hankow and Kiukiang. Then the Kuomintang turned against Japan. There were seven boycotts from 1915 to 1931 and the Nationalist flag was hoisted in Manchuria.

The Kuomintang began there also its revolutionary policy, unilateral abrogation of treaties and forceful capture of legitimate interests.

Japan could bear no more. The Manchurian war broke out in 1931. After this the most formidable political power in China came into being: as a reaction against corruption spreading in the victorious National Party, a secret society, "Blue Shirts" aims against Imperialism, unequal treaties and military caste. They offered the leadership to Chiang Kai-shek, so he started a Fascist Party, which would give him greater power than the leadership of the Kuomintang.

The Blue Shirts really rule China—10,000; they are commanders of Kai-shek's crack divisions. They are willing to work, suffer, obey and die, never seeking positions, and an oath to fight Japan bitterly, by any means. Anti-foreignism, called by the Kuomintang the revolutionary policy, was seized by the Blue Shirts. In the campaign against Japan the Blue Shirts were to have Communists as allies, recently their enemies. The Blue Shirts spread by secret societies and the Kuomintang, hence Japan insisted on withdrawal of Blue Shirts and their organisations from North China.

In 1935 the Seventh World Congress of Comintern was to rally the people to a People's Front, especially Poland and Japan; Moscow, taking advantage of the anti-Japanese cry, under the slogan "Fight Japan" attempted to take the leadership and renew the alliance of 1927 between the Kuomintang and the Communist Party, and again started anti-Japanism either for internal expediency or natural intent to fulfil hatred of Japan.

What Japan wants, is not territory but Chinese co-operation, as Prince Konové declared on July 27; not a single voice urging anything resembling the conquest of North China has ever been heard in Japan. Japan sympathises with China's cardinal national policy of unification, but she is opposed to policy of co-operation with the Comintern or a People's Front, which would only disturb the peace of the Far East and international relations.

Let China take charge of their own country, and world sympathy, and especially Japan's, would be theirs.

Finally in reviewing the outbreak of the Sino-Japanese struggle in 1937 and the account of same published by the Foreign Affairs Association of Japan entitled *How the North China Affair Arose*, we cannot fail to be struck by the great patience of the Japanese in suffering early attacks, though attended with murder, in order to prevent the outbreak of war and bring about a settlement.

It must be noted also that Japan was only carrying out her duties legally established in Tientsin and Peiping; Japan's patience in the matter caused her to incur the dreadful massacre of her people at Tungchow by the Chinese. The steps taken by China showed clearly she was determined to attack Japan and mass troops against Manchukuo, and in all her steps she was the aggressor.

When Japan found she must drive back the Chinese armies massing against Manchukuo, China succeeded in impressing the League and world's Press that she was being attacked, whereas China was herself the aggressor. This was followed by a world-wide outcry against Japan, accusing her of cruelly attacking civilians by the air in those cities where Chinese munitions or forts had to be destroyed. It must be made quite clear that Japan never makes war on civilians or fishing-boats. Such practices are against all the traditions of the Japanese Army and Navy. To illustrate their consideration for their unfortunate enemies, let me remind readers of their behaviour on the Manchurian battlefields in the war with Russia, when the identity discs with personal letters or photos were removed from the dead and sent sealed, with regrets, to their relatives in Russia.

And again after the destruction of the Russian fleet by Admiral Togo in the naval battle of Tsushima Straits, all boats were lowered to recover the drowning Russians, who were treated on board the Japanese ships with the greatest kindness and tenderness, though these men had been engaged in the endeavour to destroy Japan. These actions are traditional in their services, and should be sufficient to make people hesitate to attend meetings of disapproval of other people's actions, unfairly and falsely reported. Let us remember there are alike high spiritual forces acting in Japan as in any nation of the West. There is no fundamental psychological or moral difference between the best nations in the East and West.

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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

In conclusion it is submitted that a study of the facts and conditions of Chinese boycotts of the Japanese, and the severe Communist propaganda and one-sided breaking of all treaties, established concessions and rights, with personal violence to Japanese nationals, produced such an intolerable state of affairs that in both the Manchurian affair and the present North China affair it was impossible to submit longer without grave risk to the safety of Japanese nationals. Hence China must be regarded as the aggressor, and the League of Nations should report these findings to the Chinese representatives, and urge their removal and replacement by a policy of conciliation. China should apologise for recent lawless actions and manifestations of anti-Japanism and give an adequate guarantee against the recurrence of such outrages in the future.

The Hopei and Chahar Council had come into being as a means of restricting Chinese anti-Japanism and hostility after the Manchukuo affair in North China. The Nanking Government had concluded the Tangku Truce Pact with Japan and the Peiping Political Council established to assist in pacification, and further steps had been established for co-operation between China, Japan, and Manchukuo, as regards local affairs of North China. China had agreed that these should be settled locally and the local Council was by direct negotiation to settle these with Japan, and so the Lukouchiao incident should have been settled as Japan requested. Why should China's Nanking Government have refused to settle this locally? The answer is because she intended to upset the present status of North China. Hence the outbreak of hostilities. It is most important for Britain to realise that it has always been the one most important point with Mr. Hirota, the Japanese Foreign Minister, that the world should realise the justice of Japan's case against China, especially as the honour of the Emperor is also bound up with his various undertakings as regards the League, and surely, therefore, and as Mr. Hirota and Japan generally feel, they have not been justly and fairly treated by the League, it becomes urgent that Britain and the League should reconsider Japan's case, and if such should be found to be the case steps should be taken at once to express regret and establish a new footing in the League suitable to statements made by the Emperor of Japan.

The independence of Manchukuo should be recognised in its present status.

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Department of State letter, August 10, 1972  
By Milton C. Gustafson NARS, Date 12-18-75

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS



Reference Mexico's despatch no. 9827  
of January 11, 1940.

Tien Ku Ching, otherwise known as Cheng Tien-ku or T. K. Ching, was born in Kwangtung, 1890; attended the University of Chicago and the University of California and while in this country was editor of a revolutionary organ, Young China in America. Upon returning to China he acted for a time as secretary to Sun Yat Sen and subsequently had various official posts, including legal adviser to the Ministry of Foreign Affairs and, after the formation of the Nationalist Government at Nanking, director of the Board of Customs Administration. In 1928 he visited America again and was subsequently secretary to Hu Han-min.

Mr. Ching, who is not known to Mr. Drumright, is apparently now an official of the Chinese Foreign Ministry nominally on duty as inspector of Chinese consular establishments. There is nothing new or of particular interest in his statement, which need not be read.

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Department of State letter, August 10, 1972  
By Milton D. Hueston NARS, Date 12-18-75



EMBASSY OF THE  
UNITED STATES OF AMERICA

Mexico, January 11, 1940

9827

No.

Subject: Declarations of Mr. Tien Ku Ching of the  
Ministry of Foreign Affairs of China.

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DEPARTMENT OF STATE

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JAN 23 1940  
THE AMERICAN PRESS  
DEPT. OF STATE

Division of FAR EASTERN AFFAIRS  
JAN 18 1940  
Department of State  
FE memo

ADVISER ON POLITICAL RELATIONS  
MR. HORNBECK  
JAN 22 1940  
DEPARTMENT OF STATE

The Honorable  
The Secretary of State,  
Washington, D. C.

Sir:

I have the honor to transmit herewith a copy of the declaration made by Mr. Tien Ku Ching, said to be the High Adviser to the Ministry of Foreign Affairs of China, who arrived in this capital from the United States on January 6, 1940.

This declaration was released to the Mexican press during an interview which Mr. Tien Ku Ching held in the Chinese Legation at noon on January 9, 1940.

A copy of this interview was handed to a member of the Embassy staff by one of our American press correspondents.

During

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Department of State letter, August 10, 1972  
By Milton O. Gustafson NARS, Date 12-18-75

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During a reception which was held at the Chinese Legation last evening in honor of Mr. Tien Ku Ching, it was learned that Mr. Ching is a member of the ruling party in China, and that his principal purpose in visiting Mexico at this time, besides an inspection of the Chinese consular establishments in Mexico, was for the purpose of organizing over-seas Chinese to send money to China and to lend their support to the present Government in China.

Respectfully yours,

Josephus Daniels  
Josephus Daniels.

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*level*

In triplicate

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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

COPY

DECLARATION BY H. E. MR. TIEN KU CHING,  
HIGH ADVISAR TO THE MINISTRY OF FOREIGN  
AFFAIRS OF CHINA, ETC., RELEASED ON JAN-  
UARY 9, 1940, 12 A.M., AT PRESS INTER-  
VIEW HELD IN THE LEGATION OF THE REPUB-  
LIC OF CHINA.

In view of the inquiries made by representatives of various newspapers as to the conditions prevailing in my country arising out of Japanese aggression, it may be stated that the Japanese invasion of China is the most flagrant and extensive case of international aggrandizement that history has ever recorded and for this reason it has justly met with the stern disapproval of the world. The censure that the parties to the Pact of Paris and the Nine Power Treaty of Washington have given to Japan for her violation of the provisions of these international instruments and the condemnation of her by the League of Nations on account of her wanton disregard for the principles of international law, justice and humanity are succinctly recorded in the utterances of responsible statesmen of the world and in the documents of this international organization, and these account for the fact that China has continuously received world-wide sympathy and material support from friendly Powers, in spite of the fact that armed hostilities are raging in other parts of the world and have somewhat overshadowed the conflict in the Orient.

When the Japanese militarists started their armed invasion of China on July 7th., 1937, they thought, as present events have proved, that their campaign of conquest would be completed from three to six months. But now this titanic struggle has been going on for more than two years and a half and there is no sign of an early settlement. China, instead of being gradually weakened as some observers had thought for the simple reason that she was a peaceful nation and not prepared militarily, has shown new signs of strength and confidence which are clearly manifested not only in battle fields, but also in all walks of life, particularly those which have direct bearings on her war economy. As far as the number of troops actively engaged in combats are concerned, her strength has been tripled, notwithstanding the many millions of new recruits who have given vigorous training for more than a year. As regards materials and equipments essential to the prosecution of the war of resistance, China has never been so selfsubsistent as today, although she still depends on supplies from foreign markets for several necessary articles.

If we are to single out one particular factor which would account most for her new strength and confidence, it is national unity without doubt. The spirit of national solidarity and nationalism have gradually develop in China during

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during the past forty five years, particularly since 1915 when Japan served her Twenty-one Demands on China, but it has never developed to such immense proportions. Today the whole Chinese people are solidly behind their government and leaders, and are ready to suffer any hardship in order to achieve the freedom of their country. We are carrying on our struggle with fortitude and determination and are prepared to fight to the bitter end. Final victory may not come until after years of struggle, but it must be achieved, irrespective of sacrifice however supreme, inasmuch as there is no alternative open to the Chinese people except to resist to the utmost of their ability. Nations which stand for the principles of democracy and national independence may find solace in the fact that the Chinese people have inflicted serious blows to the morale of the invaders. The fact that they have suffered more than a million casualties together with heavy and exhausting drains on their national treasury, ought to have given them at least some sobering effect.

While my Government is perfectly aware of the stipulation embodied in the Report of the Council of the League of Nations adopted on September 30th., 1938, that "China, in her heroic struggle against the invader, has the right to the sympathy and aid of the other members of the League of Nations" she, however, has not neglected even to the slightest degree the reorganization and further development of the entire economy of the country on a wartime basis. Indeed, China's vigorous economic development during these two years and a half constitutes another factor which is almost as important as national unity.

Since the invasion of China is not of the volition of the Japanese people at large and the so-called "China Incident" is rapidly exhausting the resources of the nation almost to the degree of bankruptcy, the Japanese militarists are anxious to liquidate the whole affairs. Realizing that there is no possibility of an early settlement, they resort to the organization of puppet government and persuade the world to believe that they are the spontaneous undertakings of the Chinese people and that hostilities will soon be ended. Judging by the failure of such regimes at Peiping, Nanking and other occupied districts, it is quite apparent as to what is in stall for the bogus regime which recent news despatched from Tokio claim to be set up soon. Japan has misrepresented the whole case of the conflict to the world and her people long enough and could not possibly do it any more.

I should like to take this opportunity to state that the Chinese Government and people are highly appreciative of the sympathetic attitude and moral support of the Mexican Government and people for China ever since the outbreak of hostilities. The utterances of the Mexican statesmen and representatives in the League of Nations have shown clearly that this Republic is against international aggrandizement and is in sympathy with the victims of aggression.

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Department of State letter, August 10, 1972  
By Milton D. Hunter NARS, Date 12-18-75

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CROSS-REFERENCE FILE

NOTE

**SUBJECT** Sino-Japanese situation: hostilities and related matters in consular district: Oct., 1939.

793.94 / 15608

For the original paper from which reference is taken

See #-----  
(Despatch, telegram, instruction, letter, etc.)

Dated Nov 13, 1939 From Canton (Krentz)  
To -----

File No. 893.00 P.R. Canton/141

15608

**B. Relations with Other Countries:**

**1. Japan.**

**(a) Military Activities in the Canton Area:**

793.94  
Chinese troops, which on September 30 had begun a surprise attack on Japanese garrisons along the Kwangtung-Hong Kong border, were repulsed on October 2 and 3. Large Japanese and puppet forces, assisted by aircraft, on October 7 attacked Shekki (石岐), capital of Chungshan (中山) district, and completed occupation of the town the next day. The attack was made from two directions, but the main Chinese forces succeeded in evading the Japanese pincher movement. Possibly because they did not have sufficient men available to destroy these Chinese troops and garrison the district, the Japanese on October 10 evacuated Shekki.

Fighting was also reported to have occurred in the Kongmoon-Sunwui (江門, 新會) region south of Canton, in the Fayuen (花縣) area to the north and near Tsengshing (增城), east of Canton.

Substantial Japanese reinforcements and replacements are reported to have arrived in Kwangtung during the latter part of the month.

**(b) Japanese Aerial Activity:**

Japanese planes carried out raids on Pakhoi (北海) and Luichow (雷州) in southwestern Kwangtung, and on

various

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various cities in Kwangsi including Kweilin (桂林), Liuchow (柳州), Lungchow (龍州), Watlam (鬱林) and Kweih sien (貴縣).

(c) Japanese Employment of Puppet Troops:

The Japanese continued to enlist considerable numbers of bandits, whom they reorganize and employ in preserving local order and in fighting loyal Chinese troops. Some of these puppet troops, however, are reported to have deserted to the Chinese side.

(d) Japanese Civilians in Canton:

There are approximately 9,000 Japanese civilians in Canton, an increase of 2,000 within the past two months. There were about 350 Japanese residing in Canton prior to the outbreak of Sino-Japanese hostilities in 1937.

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Department of State letter, August 10, 1972  
By Milton D. Huvelin NARS, Date 12-18-75

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CROSS-REFERENCE FILE

NOTE

**SUBJECT** Sino-Japanese situation: developments of the month of Oct.,  
1939.

793.94/15609

For the original paper from which reference is taken

See #2358  
(Despatch, telegram, instruction, letter, etc.)

Dated Nov 18, 1939 From China (Smyth)  
To

File No. 893.00 P.R./163-

15609



DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Dunbar NARS, Date 12-18-75

3. Japan:

a. Japanese policy in China:

rumors of peace negotiations, principally of Japanese origin, which were prevalent during the first part  
of

17. Shanghai's despatch to the Embassy No. 2022 of November 6, 1939 - "Political Report for October, 1939".
18. Reuters, Shanghai, October 2.
19. Domei, Tokyo, October 5.
20. Reuters, Chungking, October 5.

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of October, gradually subsided and at the end of the month it seemed apparent that any peace overtures which had been initiated had failed. Admiral Nomura, chief Japanese naval officer at Shanghai, was reported to have stated in a press interview October 27 that "as long as Chungking pursued an anti-Japanese policy there would be no relaxation of Japanese measures to attain their original objectives"<sup>21</sup>. Statements by various Japanese officials toward the end of the month indicated that the Japanese intended to go ahead with their plans for the establishment of a new central government for the occupied areas.

A conference of Japanese military officers, including Generals Itagaki, Kita and Harada, which was held at Hanking October 12 to 14 under the chairmanship of General Nishio, was reported to have laid down detailed policies for the settlement of the Sino-Japanese conflict. The Domei news agency, speculating on these policies, stated that

"these would comprise military measures, in the form of garrisoning occupied areas and the carrying on of further strategical operations, and political operations, designed to bring about the early collapse of the regime of General Chiang Kai-shek, by the extension of wholesale support to the projected Chinese central regime".<sup>22</sup>

Foreign observers in China generally agreed that there appeared to be no prospect for an early settlement of the hostilities, and there were no indications of any modification of Japanese policy or objectives in China.<sup>23</sup>

As stated in the Embassy's monthly report for August,

there

21. Reuters, Shanghai, October 27.

22. Shanghai's despatch to the Embassy No. 2022 of November 6, 1939 - "Political Report for October, 1939".

23. Shanghai's 965, November 2, 3 p.m.

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there were indications that the Japanese authorities felt that major military operations in China had come to an end, and that henceforth Japan would devote itself to consolidating and strengthening its military, economic and political position in the occupied areas.

b. The general military situation:

The Japanese offensive in Hunan, after considerable initial success which brought the Japanese forces to within a few miles of Changsha, was thrown back with heavy losses through having over-extended itself and because of Chinese counter-attacks on the Japanese flanks. As in the May offensive in Hupeh, it appeared that the Japanese had underestimated Chinese strength. Reports from Hankow<sup>24</sup> indicated that heavy Japanese reinforcements in men and material arrived at Hankow during the last half of October and observers considered that the Japanese might take the offensive again in Central China in an attempt to regain the prestige lost in the Hunan campaign.

Considerable fighting occurred in Shansi, but without decisive results. The Japanese claimed success in a campaign in western Kiangsu designed to consolidate Japanese control over the Grand Canal; in Kwangtung, the Japanese captured and subsequently evacuated Chekki. Military activity elsewhere was sporadic. The Japanese air force was active, while two Chinese air raids were made on Hankow.

c. Operations in Hunan and Kiangsi:

The military operations in Hunan and Kiangsi

initiated

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<sup>24</sup> Hankow's 262, November 6, 4 p.m.

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initiated by the Japanese in September came to an end early in October with the withdrawal of Japanese troops to their original positions. In their rapid advance on Changsha they outran their supplies and exposed their lines of communication to attack by bodies of Chinese troops which had successfully eluded them; lacking reserves, they found it expedient to retire, the Chinese reoccupying the positions they abandoned. Both sides suffered heavily in these operations, which resembled the May 1939 campaign in northwest Hupeh on a larger scale.<sup>25</sup>

The main Japanese attacking columns on September 28 had reached Chiaotouyi, fifteen miles north of Changsha, and Yunganshih, about the same distance east of Changsha. The Japanese east flank column from Tungcheng, Hupeh, had advanced south and captured Pingkiang, Hunan; some troops from this column had moved east from Tungcheng and Pingkiang in an effort to effect junction with Japanese troops advancing on Hsiuahui, Kiangsi, from Wuning and Fengsin, Kiangsi. On September 29, however, Chinese forces which had withdrawn east and northeast from Changsha into the mountains attacked the Japanese flanks near Changsha and Pingkiang; the Japanese were compelled to retreat northward from Changsha and to abandon Pingkiang. Heavy fighting took place October 5 on the line Faishui-Fulinpu-Chincheng, north of Changsha; the Japanese were forced to retire north of the Mi River October 6 and subsequently fell back north of the Hsinchiang River.

On

25. Hankow's November 3, 2 p.m., to Peiping only  
(monthly summary).

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On October 9 a Japanese army spokesman admitted that the "Japanese forces in north Hunan have now withdrawn to the positions originally held on September 15 before the drive in that area began".<sup>26</sup>

The Japanese forces in Kiangsi, which at the end of September were advancing on Haiushui, captured that city October 5; it was recaptured by the Chinese in the next few days, whereupon the Japanese withdrew east toward Tuning.

d. Miscellaneous operations:

The Japanese continued their efforts to drive Chinese troops and guerrillas from southeastern Shansi, but without decisive results. Heavy fighting was reported in the Luan-Shangtze-Hukuan area in the middle of the month; the Chinese and Japanese accounts of the operations differed considerably and no independent information was available. Artillery duels across the Yellow River in southwestern Shansi were reported October 21.<sup>27</sup>

Chinese forces which made a surprise attack September 30 on the Japanese along the Kwangtung-Kowloon border were repulsed October 2 and 3. The Japanese captured Shekki, capital of Chungshan District, Kwangtung, October 8, but evacuated the city two days later. According to reports from Canton, substantial Japanese reinforcements or replacements arrived in Kwangtung during the latter part of October.<sup>28</sup>

g.

26. Somsai, Shanghai, October 9.

27. Reuter, Chungking, October 21.

28. Canton's November 3, 12 noon, to Peiping only (monthly summary).

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e. Aerial activities:

The Japanese air force was very active in October, except during the period October 15 to 24 when weather conditions were unfavorable. According to Japanese reports, important raids were made on Sian, Shensi (October 1, 11 and 30); Chengtu, Szechwan (October 2, 10 and 13); Chungking, Szechwan (October 5 and 30); Kweilin, Kwangsi (October 8 and 12); Nanchwan, Szechwan (October 13); Yenan, Shensi (October 15); Tushan and other points in Szechwan (October 24); Yuanling, Hunan (October 25); and Pingliang, Kansu (October 30); many other raids were made in various provinces. The Japanese air force continued to maintain a vigilant patrol on the so-called "ammunitions route" in Kwangsi, their planes reportedly being based on an aircraft carrier stationed off the Kwangsi coast. The American Consul at Foochow reported that Japanese aerial activity in the district increased sharply at the close of the month, the eleven bombings in October all occurring between the 24th and 31st.

Independent reports stated that the Japanese raid on Nanchwan, Szechwan, a small town southeast of Chungking, was exceptionally murderous. The civilian casualties were heavy and property damage severe.

According to reliable neutral sources, Chinese airplanes successfully bombed the Hankow air field on October 3 and 14, causing considerable damage to

Japanese

29. Japanese press reports during October.
30. Foochow's November 1, 5 p.m., to Peiping only (monthly summary).
31. Reuters, Chungking, October 13 and 21.
32. Hankow's November 3, 2 p.m., to Peiping only (monthly summary).

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Japanese airplanes on the ground and to buildings; the Japanese anti-aircraft fire was ineffective. These were the first Chinese bombings of Hankow since the Japanese occupation of the city. Japanese reports stated that the attacking planes were "apparently manned by Soviet airmen" and claimed that two of the planes were shot down.<sup>33</sup>

f. Military activities in the occupied areas:

Guerrilla activities increased during the first half of October in the vicinity of Hangchow and along the Shanghai-Hanking and Shanghai-Hangchow railways, culminating in a raid by a Chinese force of two or three thousand men into Hangchow on the night of October 14. The increase in guerrilla activities was followed by fresh Japanese efforts to wipe out the enemy, but without substantial success. According to Japanese reports, 117 engagements were fought in the Shanghai-Husung-Hangchow triangle during the month. The Japanese claimed to have been successful in an attack early in October in western Kiangsu, which, they reported, resulted in the consolidation of Japanese control over the Grand Canal.<sup>34</sup>

Japanese naval forces at Chefoo, supported by naval airplanes, made several expeditions against guerrillas without changing the military situation in eastern Shantung; Laichow was occupied October 14 without resistance.<sup>35</sup> Pingtu was reoccupied by the Japanese during the month.<sup>36</sup> A neutral informant at Tsinan stated that

considerable

33. Domesi, Hankow, October 16.  
34. Shanghai's November 4, 3 p.m., to Peiping only (monthly summary) (supplemental).  
35. Chefoo's November 3, 10 a.m., to Peiping only (monthly summary).  
36. Tsingtao's November 1, 9 a.m., to Peiping only (monthly summary).

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considerable dissension was reported in October between 8th Route Army units and Chinese military-guerrilla forces in Shantung, reportedly over the questions of spheres of influence and tax collection privileges; one fairly large clash occurred.<sup>37</sup>

An American resident of Kaifeng, Honan, reported that a corps of 800 Chinese soldiers, who had been under training at Kaifeng by the Japanese military for use in garrison or "pacification" work, mutinied in the middle of October, killed their Japanese military advisers and joined the Chinese forces in the region. The informant commented upon the significant connection between the mutiny and the Japanese reverse in Hunan, of which, he stated, the Chinese at Kaifeng were aware.<sup>38</sup>

A responsible official of an American firm at Tsingtao which has agencies throughout Shantung recently expressed the opinion that Japanese control in the province does not extend beyond the railways, important highways and places actually under Japanese military occupation and control.<sup>39</sup> A similar statement in regard to Hopei Province was made early in November by an American businessman resident at Shihchiachuang;<sup>40</sup> this informant stated that the periodical Japanese "mopping up" campaigns in Hopei Province have accomplished little so far as effective control of the interior is concerned, since the Chinese guerrillas return to areas as soon as the Japanese expeditions depart. Guerrillas were active in southwestern Hopei during the month.

The

37. Tsinan's October 30, 10 a.m., to Peiping only (monthly summary).  
38. Peiping's 555, October 24, 4 p.m.  
39. Mr. E. R. Rykes, Standard-Vacuum Oil Company.  
40. Mr. F. C. Williams, Yee Tsong Tobacco Company.



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The American Consul General at Canton reported that martial law was declared several times at Canton and that sporadic fighting with guerrillas took place in the outskirts of the city.<sup>41</sup>

g. Political activities in the occupied areas:

The Japanese political program for the occupied areas suffered a set-back through the failure of the Japanese campaign in Hunan. There seems to be no doubt that the drive on Changsha was intended to culminate in a spectacular victory which would convince the National Government that further resistance was hopeless and at the same time would synchronize with the establishment of a new central government under Wang Ching-wei. One result of the Japanese reverse was to aggravate the ambitions and jealousies of Chinese and Japanese connected with the Japanese controlled Peiping and Nanking regimes who felt that the proposed new central government would curtail, if not extinguish, their own rights and powers.

General Itagaki, former Minister of War and now chief of staff of the new Japanese general headquarters in China, visited Peiping early in October and conferred for several days with Generals Kita and Tada. It is understood that Itagaki is a vigorous supporter of Wang Ching-wei and a strong central government for the occupied areas, while Kita and Tada are believed to be in favor of a large measure of autonomy for North China. The results of the conference are not known, but informed sources in Peiping agreed that it was apparent

41. Canton's November 3, 12 noon, to Peiping only (monthly summary).

- 16 -

apparent that the Japanese leaders in China are divided into two groups, one of which, including Generals Mishio and Itagaki, desire to continue hostilities until General Chiang Kai-shek is crushed, and the other, consisting chiefly of naval, political and financial leaders, who wish to bring the hostilities to an end, even through negotiation with General Chiang Kai-shek, if that is the only way in which this can be accomplished.<sup>42</sup>

At the end of the month it was generally considered that the Japanese would proceed with their program for a central government for the occupied areas, but it was felt in Peiping that North China would remain semi-autonomous.

The seventh meeting of the "United Council" of the Peiping and Nanking regimes, scheduled for October, was postponed until November.

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Altaffer NARS, Date 12-18-75

79394

CROSS-REFERENCE FILE

NOTE

**SUBJECT** Sino-Japanese relations: developments for the month of  
November, 1939.

793.94 / 15610

For the original paper from which reference is taken

See #81 .....  
(Despatch, telegram, instruction, letter, etc.)

Dated Dec 2, 1939 ..... From | Amoy (Altaffer)  
To |

File No. 893,00 P.R. Amoy/146-.....

15610

(b) Relations with Japan.

1. Kulangsu Situation.

743.94

There were no political developments of importance in Kulangsu or Amoy during the month of November. Mr. Uchida, the Japanese Consul General in Amoy and Senior Consul, who left for Tokyo on October 19th, returned on November 5th. Relations between Japanese officials, both Naval and Consular, and other foreigners in Kulangsu were notably cordial and the terms of the agreement between the Japanese and the Kulangsu Municipal Council were being carried out during November without apparent friction. Mr. Schigershi Fukuda, a former inspector in the Shanghai police force, was recently appointed inspector of police in Kulangsu and has already assumed his duties. Twenty permits were issued for junks to ply between the Chinese mainland and Kulangsu. Five permits were also issued to the International Relief Committee in Kulangsu for the purpose of bringing firewood from Changchow (漳州) to the Settlement.

- 4 -

A sufficient quantity of this fuel now seems to be arriving to meet the insistent demand here. It was agreed with the Japanese that permits for forty junks would be issued, but it appears that the volume of produce available for export from the mainland has not been sufficient to employ forty junks. It is also said that the number of junks which could be used for river traffic is limited, as many deteriorated, and no new ones have been built in Amoy since the Japanese occupation of the port.

2. Arrests in Kulangsu and Amoy.

At the beginning of November a rumor was current in Amoy and Kulangsu that the Cantonese 157th Division of the Chinese Army was being transferred to South Fukien for defense purposes. This rumor served to arouse the fears of the Japanese Naval authorities who promptly arrested twelve Chinese in Kulangsu on charges of espionage. Later it is said that a large number of Chinese were arrested in Amoy, as the result of the appearance there of handbills alleged to have been printed by the 157th Division, stating that it would capture Amoy.

3. Japanese Military Activity.

There was no military activity of note around Amoy during November. Nine Japanese planes appeared above Kulangsu on the morning of November 1st. Artillery fire was heard on November 5, 7, 11, 16 and 23. Apparently the Japanese noticed  
the

- 5 -

the Chinese troop movements and shelled the mainland to prevent the building of defense works too near Amoy.

4. Promotions and Transfers of Japanese Naval Officers.

Rear Admiral Myata, Commander of the Garrison in Amoy, and Captain Hara of the Japanese Special Naval Forces in Amoy, were promoted to Vice Admiral and Rear Admiral respectively and both have been transferred from Amoy. The above mentioned offices were taken over by Rear Admiral K. Makita and Captain K. Chudo.

793.94

CROSS-REFERENCE FILE

NOTE

SUBJECT Sino-Japanese situation: developments of month of Nov., 1939.

793.94 / 15611

For the original paper from which reference is taken

See #106 to Embassy, Peiping  
(Despatch, telegram, instruction, letter, etc.)

Dated Dec 8, 1939 From } Chefoo (Taylor)  
To }

File No. 893.00 P.R. Chefoo/152

15611

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quate/enc NARS, Date 12-18-75

**B. Relations with Other Countries:**

**1. Japan:**

**(1) Military Situation.**

There was no important change in the military

situation

793.94



- 4 -

situation in the Chefoo Consular district during the month under review. An American missionary from Laichow reports that city is still held by the Japanese, but that guerrillas venture right to the edge of the city, as is true at most of the places garrisoned by the Japanese or by Japanese-sponsored troops in this district.

On December 2nd, Japanese Army forces, estimated at about 1,000 infantrymen and 300 cavalrymen, arrived in Chefoo overland from the west, reportedly having been landed at Pakiakow (八角口). They left Chefoo within a few days, reportedly to take part in a new campaign to clear Laiyang Hsien and Haiyang Hsien of guerrillas. Japanese army forces from the Tsingtao area that advanced into those hsien are reported to have met with serious reverses in a recent drive and a new contingent from Tsingtao is reportedly on the march north.

(2) Control of Coal Sales.(3)

On November 2nd, the Japanese Special Military Mission ceased to grant coal purchase permits and the Japanese Consulate requested this Consulate to inform Americans that they could obtain coal without permits from members of the Coal Dealers Association. This association is Japanese sponsored. The Kailan Mining Administration at Chefoo has since been unable to fill orders accepted from American citizens.

Prices asked by the Coal Dealers Association were about 25% higher than the Kailan Mining Administration's  
retail

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(3) Chefoo's despatch to the Embassy, Peiping, No. 99, November 8, 1939.

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Quisenberry NARS, Date 12-18-75

- 5 -

retail prices, but were lowered later to about 20%  
higher.

Americans reported no further difficulties in  
November in connection with obtaining coal.

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Blumstein NARS, Date 12-18-75

CROSS-REFERENCE FILE

NOTE

SUBJECT Withdrawal of Japanese troops from Chinese territory.

Same will be done only when Wang Ching-Wei shall have been able to establish an army and police force sufficient to maintain order. Japanese Ambassador described Wang Ching-Wei and his followers in these words "Those who believe that it is in the interest of China to cooperate with Japan for a brief moment".

793.94/15612

For the original paper from which reference is taken

See Tel. #36 5pm  
(Despatch, telegram, instruction, letter, etc.)

Dated Jan. 9, 1940 From France (Bullitt)  
FR

File No. 893.01/598

N

15612

~~SECRET~~  
DEPARTMENT OF STATE  
DEPARTMENT OF STATE  
**Memorandum of Conversation**  
1940 JAN 11 AM 11 09

DATE: January 5, 1940.

SUBJECT: Situation in the Far East; American Policy  
DIVISION OF POLITICAL AFFAIRS  
AND RECORDS

PARTICIPANTS:  
Mr. and Mrs. Carveth Wells  
Mr. Hornbeck

COPIES TO:

ADVISED BY POLITICAL RELATIONS  
MR. HORNBECK  
JAN 9 - 1940  
DEPARTMENT OF STATE

UNDER SECRETARY OF STATE  
JAN 8 - 1940  
MR. WELLES

SECRETARY OF STATE  
JAN 10 1940  
NOTED

*Copies sent to Mr. Drew at Tokyo and to Mrs. Johnson at Shanghai.*

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793.94119  
893.017M  
711.942

On January 4, General Watson, stating that he was acting on a suggestion from the President, made an appointment for Mr. Hornbeck to receive Mr. Wells. Mr. Wells came to Mr. Hornbeck this morning accompanied by Mrs. Wells.

The conversation occupied an hour and a half.

Mr. Wells stated that he was born an Englishman, had had some official experience in early life, had come to the United States some twenty years ago, had become an American citizen, and during recent years had written books and traveled and lectured. He said that

APR 2 1940

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- 2 -

that in 1932 he had written a book in which he argued against recognizing the Soviet Union, that he had predicted a number of developments, that his views had been severely attacked, that the book had gone through twenty editions, and that a great many of the things which he had predicted had taken place since, as predicted. Mrs. Wells stated that she lectured<sup>d</sup> somewhat on political subjects and that she wanted to be well-informed as she was preparing some talks which she hoped would be of some help to China.

Mr. Wells gave an account of their recent trip and some of their observations in the Far East. He stated that the Japanese had been very helpful. He then expressed at some length views on the political situation. He said that practically all foreigners, of several nationalities, with whom they had talked in the Far East were much more apprehensive of the possibility that the Soviet Union would gain effective control in China than of anything that might happen through the gaining by Japan of an effective control there. He suggested that any kind of aid to China would be aid to Stalin, in as much as it would tend to throw Japan into the arms of Russia and thus encourage the making by Japan and Russia of an agreement one of the features of which would be a division of China, which division would strengthen Russia's position in China. At a later point in the conversation, Mrs.

Wells

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- 3 -

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893.01M  
Wells suggested that in the present situation there is afforded a golden opportunity for the United States to mediate between China and Japan, bring the hostilities to an end, and thus restrain Japan from joining Russia and thereby avert the gaining by Russia of a stronger hold on China: Mrs. Wells suggested that the United States might strike a bargain with Japan by recognizing "Manchukuo".

The conversation revolved around those two expressions of opinion, one by Mr. Wells and the other by Mrs. Wells (in which opinions Mr. Wells and Mrs. Wells apparently concurred reciprocally).

Mr. Hornbeck set forth a number of facts, some historical, some contemporary, which have a bearing upon the situation and the possibilities of which Mr. and Mrs. Wells had spoken. He talked at some length on fundamental features and traditional lines of American policy, with reasons why, and current trends of official thought and of public opinion in this country, with reasons why. Having asked and been given permission to make certain observations of a more or less personal character, he ventured to give his deductions with regard to a process by which Mr. and Mrs. Wells had gathered impressions and had arrived at conclusions out of which had evolved the affirmative opinions which they had expressed in the early stages of the conversation. He said that what they had told him did not  
seem

- 4 -

seem to him to come from the depths of their own consciousness and the labor of delving into the facts by their own efforts but seemed to him rather in the nature of repetition of opinions which they had heard expressed, repeatedly and repeatedly, by other people, some of whom were in panic, some of whom were none too well informed, and some of whom were engaged consciously or unconsciously in propaganda. Neither Mr. nor Mrs. Wells gave any indication of offense or resentment and both of them appeared to admit that this analysis was substantially correct.

711242  
Mr. Wells raised the question of the probable or possible effect which termination of the treaty of 1911 would have on trade between the United States and Japan. He apparently had the impression that one immediate effect would be to bring about a great diminution in the trade and therefore work great hardship on American importers and exporters. Mr. Hornbeck talked at some length on the character of the trade, the provisions of the treaty, and the slight or negligible effect, other than that of producing uncertainty, which the termination of the treaty alone and by itself would have upon the trade. Mr. and Mrs. Wells indicated that the facts as stated were very different from what they had understood or assumed them to be and said that they were greatly relieved to hear that such were the facts.

At

- 5 -

At the end of the conversation Mr. and Mrs. Wells said that they greatly appreciated having been given the time which the conversation had consumed, that they had had a number of misconceptions dispelled and that they now understood a number of features of the situation far more clearly and in a different light than before. Mr. Hornbeck thanked them for having given him the account of their observations and views and for having listened to what he had had to say.

*SKH*  
Stanley K. Hornbeck

PA/H:SKH:ZMK



DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Quastler NARS, Date 12-18-75

KEY PITTMAN, NEV., CHAIRMAN  
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HENRIK SHIPSTEAD, MINN.  
EDWARD J. TRENWITH, CLERK  
JAMES A. WHITE, ASST. CLERK

001066

United States Senate

COMMITTEE ON FOREIGN RELATIONS

Division of  
FAR EASTERN AFFAIRS

Washington, D. C.  
January 18, 1940.

JAN 27 1940

Department of State

January 30 1940  
COMMUNICATIONS AND RECORDS  
JAN 29 1940  
ack: 1/26/40  
Cory: vic

DEPARTMENT OF STATE  
A-M/F  
JAN 19 1940  
ASSISTANT SECRETARY  
OF STATE

My dear Mr. Secretary:

I have the honor to transmit to you herewith, for your consideration and any recommendation or report you may feel disposed to make, the resolution (S. Con. Res. 36) declaring a state of war to exist between Japan and China.

With expressions of respect, I am,

Sincerely,

*[Signature]*  
Chairman.

ASSISTANT TO THE  
FEB 2 1940  
COUNSELOR

LEGAL ADVISOR  
FEB 2 1940  
DEPARTMENT OF STATE

793.94

793.94/15614

Hon. Cordell Hull,  
Secretary of State,  
Washington, D. C.

ADVISER ON POLITICAL RELATIONS  
MR. HORNBECK  
JAN 24 1940  
DEPARTMENT OF STATE

Enc.

FEB 7 1940

F/FG

76TH CONGRESS  
3D SESSION

## S. CON. RES. 36

IN THE SENATE OF THE UNITED STATES

JANUARY 16, 1940

Mr. GILLETTE submitted the following concurrent resolution; which was referred to the Committee on Foreign Relations

### CONCURRENT RESOLUTION

Whereas section 1 (a) of the Neutrality Act of 1939 provides—

“That whenever the President, or the Congress by concurrent resolution, shall find that there exists a state of war between foreign states, and that it is necessary to promote the security or preserve the peace of the United States or to protect the lives of citizens of the United States, the President shall issue a proclamation naming the states involved; and he shall, from time to time, by proclamation, name other states as and when they may become involved in the war.”:

Now, therefore, be it

- 1 *Resolved by the Senate (the House of Representatives*
- 2 *concurring), That the Congress (1) hereby finds that a*
- 3 *state of war exists between the Empire of Japan and the*

2

- 1 Republic of China, and that it is necessary to promote the
- 2 security and preserve the peace of the United States and
- 3 to protect the lives of citizens of the United States; and (2)
- 4 requests the President to issue a proclamation in accordance
- 5 with the provisions of section 1 (a) of the Neutrality Act
- 6 of 1939.

67th CONGRESS  
3d Session  
**S. CON. RES. 36**

**CONCURRENT RESOLUTION**

Declaring a state of war to exist between Japan  
and China.

By Mr. CHILDS

JANUARY 16, 1940

Referred to the Committee on Foreign Relations

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Shusterman NARS, Date 12-18-75

001067

February 2 1940

In reply refer to  
Co 793.94/15614 -

My dear Senator Pittman:

I acknowledge the receipt of your letter of January 18, 1940, transmitting S. Con. Res. 36 for my consideration and any recommendation or report I might feel disposed to make.

I note that the concurrent resolution provides that the Congress shall find that "a state of war exists between the Empire of Japan and the Republic of China, and that it is necessary to promote the security and preserve the peace of the United States and to protect the lives of citizens of the United States", and requests that the President issue a proclamation under section 1 of the Neutrality Act of November 4, 1939.

Although hostilities have been in progress in the Far East for two and one-half years, the Executive Branch of the Government, which has given the most constant and careful consideration to the problem, has at no time perceived

any

The Honorable  
Key Pittman, Chairman,  
Committee on Foreign Relations,  
United States Senate.

793.94/15614

F/FG/S/S

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Gustafson NARS, Date 12-18-75

001068

-2-

any reason to believe that the application of the Neutrality Act of May 1, 1937, or the Act of November 4, 1939, to that conflict would be likely to contribute to the promotion of the security and the preservation of the peace of the United States or to the protection of the lives of citizens of the United States.

I am, therefore, of the opinion that the proposed finding of the concurrent resolution that "it is necessary to promote the security and preserve the peace of the United States and to protect the lives of citizens of the United States" by issuing a proclamation in regard to the Far East under section 1 of the Neutrality Act of November 4, 1939, is not in accordance with the exigencies of the situation and that the concurrent resolution should, therefore, not be adopted.

Sincerely yours,

Cordell Hull

*X*  
Co: GWY ✓  
GA ✓  
FE:GA:HES  
:RB:  
1/26/40  
1/29/40

*And*  
FE  
*PA/H*  
A-M/B  
*Stitt*

*Re*  
C S

*W*

A true copy of the original

GR  
JAN 30 1940 PM  
FEB 1 1940

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quate NARS, Date 12-18-75

DEPARTMENT OF STATE  
ADVISER ON POLITICAL RELATIONS

January 27, 1940.

I feel that the Secretary  
would wish to scrutinize the  
proposed letter to Senator  
Pittman.

*SKH*  
Stanley K. Hornbeck

*I agree to the  
above revision*

PA/H:SKH:ZMK

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Butler NARS, Date 12-18-75

001069

January 30 1940

In reply refer to  
Co 793.94/15614

My dear Mr. Smith:

In accordance with Circular No. 344 of the Bureau of the Budget, dated November 15, 1937, there is transmitted herewith a proposed report on S. Con. Res. 36, declaring a state of war to exist between the Empire of Japan and the Republic of China, which has been requested by the Chairman of the Committee on Foreign Relations of the Senate.

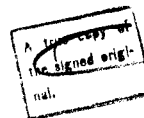
It is requested that you indicate whether the action proposed in the report is in harmony with the program of the President.

Sincerely yours,

Enclosures:

- 1. Original and one copy of report;
- 2. Bill.

Gordell Hall



CR  
JAN 29 1940

The Honorable

Harold D. Smith,

Director, Bureau of the Budget.

Co: CWY: VIE

1/26

AMB RB  
EA FE

PA/H

A-M/F

793.94/15614

F/FG

S

*[Handwritten signatures and initials: "L. E. ...", "CWY", "AMB RB", "EA FE", "PA/H", "A-M/F"]*

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Gustafson NARS, Date 12-18-75

DIVISION OF #44  
COMMUNICATIONS  
AND RECORDS  
Philadelphia National Bank  
15 North 32nd Street  
Philadelphia, Pennsylvania  
RECEIVED  
DEPARTMENT OF STATE

Secy Sumner Welles;  
% State Department Building  
Washington, D.C.

JAN 18 1940  
JAN 18 1940  
DEPARTMENT OF STATE  
COMMUNICATIONS  
AND RECORDS  
MR. WELLES

Division of  
FAR EASTERN AFFAIRS  
JAN 17 1940  
Department of State

Honored Sir:

793,94

It is my regret that it was necessary for me to hurry away from Washington to speaking engagements in Philadelphia and Atlantic City before I had the privilege of personally seeing you and telling you many up-to-date conditions which obtain in China due to Japan's vast and cruel butchering expedition. However, I had the privilege of meeting with the Counselor of the State Department, our mutual good friend the Honorable Stanley K. Hornbeck.

Though I was unable to tell you the following in person, you will be glad to know that we are grateful for your informed and intelligent interest in this epic struggle of China for her life with her cruel invaders. Also for your perspective as to the momentous meaning of this struggle and for what we confidently believe will be your courage in advocating the cause of China who is fighting our fight for everything that we hold dear and sacred. Fighting it alone, abandoned of the democracies who have not kept their solemn pledges (in the Nine-Power Treaty) and fighting with America, in effect, as Japan's active ally (without whose war supplies Japan would be helpless) rather

In accord with your request for factual data, I am enclosing a relatively recent, confidential letter of one of our missionaries in one of our great mission stations, Pao Ting Fu, the capitol of a great northern province, Hopei (West of Peking, as you know). This letter was surreptitiously gotten out through our Embassy in Peking and on to an American warship. This method is almost the only way that any mail can now be gotten out of the areas of China occupied by the enemy - this despite Japan's pledge not to interfere with foreign mail going out from the occupied areas; also contrary to her pledges to the International Postal Union. The second document is notations from a very able, learned and influential American missionary educator whose family are in the best Virginian traditions of leadership in education, religion and patriotism. The names of these missionary friends are, under no circumstances, to be quoted; but, in using their testimony, you can say "This testimony is from absolutely impeachable witnesses". The Japs would find methods to do away with any American missionary whom they could connect with such direct and damning testimony against them.

I am loaded with information on the subject. If I can serve you, please command me.

Respectfully and gratefully yours,

Charles Ernest Scott

*Chas. E. Scott*

CES:w

P.S. I still have six months of furlough before returning to China.

*The 2nd document is not enclosed; typing not yet finished.*

793.94/15615

JAN 19 1940

FILED

F/HG



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DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

Paotinglu, Hopei.  
October 29th, 1939.

My own dear family:-

This letter is being written under different conditions from all others that have gone to you, and very likely under conditions that will not exist frequently in the future. I dare not try this method often, and yet because of the comparative security that is suggested I attempt a more adequate explanation of my life and work in China. These letters are being sent on the person of a friend who goes to Peiping tomorrow, and she will give them into the hands of the American Embassy who sends them off on an American gunboat at its first sailing, under the seal of our government, and all mail like that is free from inspection.

My heart is full, and only to see you could I ever tell you how I feel and all I see. If the Lord Himself did not keep our hearts they would fall us from the sights we see and the things we hear. Yet how familiar poverty, gross in-sult, crime, war, famine, and flood, all seem to us who see it daily! I do ask the Lord so often to never let me lose the sense of the shamefulfulness of sin.

When I first went back to Hwailu we were free in a sense to preach the Gospel and I was out as you know on long trips all Spring. I told you a little of the horror. Things have grown infinitely worse, and we wait on in sufferance knowing it may not be long now before even the Americans in North China will be forced out.

Your papers have no doubt been full of the outrages tried on British men and occasionally women in Tientsin. All is denied, but we all know folk who either received this treatment or saw others receive it.

Down where we live there has of course been nothing like this, but our baggage is inspected and persons inspected as we pass through all railroad junctions and on all trains. One of the silliest things they do is to demand Cholera injections on all occasions, and when we show our certificate for the injection done by one of our doctors, they take it away, and insist on our being injected by them. Needles never washed, used consecutively on several hundreds of people, one injection (which is madness and does no good nor gives any immunity), and one of their certificates. Dot and I have avoided this thing on all moves so far, but can not say anything about the future. They get a western idea about health, do it to death, in a way that children at home would laugh at, and all so solemnly.

Our greatest trouble is living inland, which means the Red Army is all around us and in our very hills. The other people at the railroad lines only. Our people are mostly from the red districts and have to come in and out to market and to meetings. They have no dealings with the red army, of course, but their life is in danger every time they come in, and so is ours every time we go out. So latterly we have not dared to go on village trips, but to hope the folk would come in to us at the stations. But few have dared.

Victories for the hill people have been frequent, and hushed up or never mentioned. Not that I think they will ultimately win out, for I don't, but their annoyance is terrific to the other army. Inroads are being made skilfully and systematically on all the believers and the churches, and yet this is emphatically denied. Last week one of our young evangelists went home to see his wife and new born baby, they live on the church premises. He was home a few days when the church building was confiscated and turned into a Buddhist Temple, and he under arrest and forced to be the temple keeper. These temples are being reared everywhere as a preliminary to the Shinto Shrine worship which is being forced on this conquered people. Right among our own people little boys are taken off the streets on their way home from school and sent across the water to "get an education because they are poor war orphans!" The several we know are boys of lovely Christian families with both parents living, and so are all the others we have heard about.

2.

Everything is being taken from this people and nothing given in return until some of them are nearly insane.

The scarce carrot crop for instance is harvested right before their starving eyes, and the wheat and the cotton as well. Whoever raises a voice is knifed instantly right there. Women are ravaged in all the villages, and that with such disdain and contempt. Our young girls flee to us for protection, and our places are full of these bright young things in terror of their lives. Six of them right now have been sent away to school from our far away station to this lovely place where I now live. I hope they can come back, all of them after the New Year, when school closes for a month.

The dykes have been purposely broken and whole villages inundated. Thousands and thousands of these people all around me drowned, bodies floating down all the streams, the stench awful, and cholera right in its wake. Those who were left are even worse off. Crowded into the cities with only enough clothes as they could wear, dying right in our streets with the cold, and hunger. Beautiful cultured families begging as thieves for their bread, barefooted and disheveled, desperate in their need. To go out on the street to the places where these poor people live is to be nearly torn apart for just a crust. And what can we do with so many? All the relief work is being done by the churches and the christians, and not one bit, as far as any of us know, by the other people.

By good authority, which I dare not mention even this way, we know definitely that orders have been received to "worry and harass and finally drive out all Britishers left in the province". The only norther province occupied by the invaders is which they have not all been put out! So we wait. My old station is registered in the British Consulate as BRITISH property, which is unfortunate. For in our mission there is strictly speaking no property that is solely British or American but International. But property must be registered and so it was done in that consulate, because, at the time, there were no Americans in the Mission working in Hopei. So, because that is so, it makes it difficult for Dot and me. If and when the British are put out, we would have to go with them, as being associated with that station. But Mr. Thompson felt if we as Americans went out first of our own free will, and as guests temporarily of this kind Mission (Amer. Presby.) in this city which is wholly American, as far as the foreigners are concerned, THEN when the others were sent away, we could rightly go back as Americans occupying what we will try to reregister as American property. So that in a nut shell is why we are up here in the north of the province.

All this week we have been hearing rumblings in the other stations, our British friends are being amoyed, whole days being spent in answering questions, filling out reams of questionnaires and generally creating the atmosphere that they are under suspicion. This, in their eyes, is a necessary preliminary to finally putting them out, and they do that last step in such a shady manner. "The Chinese in the city are very anti-foreign and the feeling is rising, but WK are here to protect you, and will". Then they come in "To protect". The uprisings in the city are kept heated and all the off scourings of the city are well paid to make a rumpus outside our walls. Secretly the friends tell us the truth, "No one is desirous to hurt us, but are forced to do it on PAIN OF DEATH". And some have paid that price rather than turn against us. At last the final days comes, blood-thirsty looking men usually invade the compound at midnight and 'force' the foreigners out, and the other people step in, and with drawn swords escort our missionaries to the railroad station. It is so like a cheap theatrical.

Our dear preachers and evangelists are very brave. One was taken from here some months ago, put in prison, and has never been heard of since. Prison is about as terrible a place as one could wish in this country. Christians are mysteriously taken, and never heard of again. Everyone lives in terror, and no one dares to speak out.

Up here I have offered to do anything I could to help in the work, and one of two things is to be appointed me. In two weeks time we are opening a former Y.M.C.A. house here in this place and taking in 85 village girls in their teens, to save them a horrible life. They are desperate to get away and have begged to be taken in, and yet can bring nothing to support themselves, and very little clothing. So finally it was decided to take them for the present and keep them here. Most of them have never even heard of the Lord Jesus and all will be huddled in a home the size of Aunt Faith's. We will feed, teach and live with them. I have been asked if I would like to help there, and I WOULD love that.

Then there are pressing villages waiting for the Gospel which was promised to them,

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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

3.

last year, and I have been asked to help out there, and would love that. So which I will do or some of both I do not know. At any rate in two weeks from now I will be more busy than I have been in China, I hope. And how I will need your prayers. Travelling IS NOT safe, and yet we feel we must go out while we can do all we can. It may be the last time they will hear.

When the British are put out I will attempt to go back to my old place. That failing I want to go to the extreme south of the province to a place called Shum Teh Fu, where Rose Rasey is doing a big work in the Presby. Mission Hospital there. We too have a fine work there, but manned by British, and when they go I would like to work there. But I will be permitted to go only on one condition and that is if there is an American man there. So I rejoice, for we have just heard that Nathan and Lois Walton, whom you all know, are on their way THERE. That shows the Missions forethought and if they go there we may be able to quickly follow, and work in one of our own fields again. May He make it so.

I would have liked to have stayed on in H. after the British left but Mr. Thompson on no account would hear of it, if there were no American men living there. For if the British leave it will mean he too has left Peiping where he is stationed and could render no help to us in time of trouble. All my persuasions were of no avail, so I submitted. We are delightfully treated here, and living like queens so far as a house is concerned, for it is an American home with electric lights and an UPSTAIRS. Everything but running water.

There is so much I could tell you but I think this is enough for you just now. I will though try my best to occasionally get a letter off in this manner while we are stationed here. Dot is doing beautifully with the language, a wonder to everyone. Even the Chinese remark on her clarity (a thing they do to all of us to be polite, but which we know is not true) but with Dot it IS true, for the language examiner here, a harsh critic, said HE never knew anyone to take it up so clearly in the beginning. The Lord is so good to her, and making up to her we believe that bogey about her age. Mr. Gibb said if she gets the language at 40, well, she will be the first missionary in the Mission that did!!! He had't much faith in the learners at 40! But after he saw her he had brighter hopes, and I hope they will be fulfilled. She has many disadvantages, no language school as all others do, changing stations and teachers three times already, dysentery interruptions several times already. But still she makes progress. She now has the finest Pekinese teacher, the best spoken language there is in China, and she is too funny correcting my Hwailu dialect!

All your letters come through to me in fine condition and packages too. The invaders are not so much concerned about what comes in to us, but what goes OUT from us. Do please write me here until further notice and PLEASE do NOT put the name of the mission to which I belong on the envelope, but the name of this one. Many of our letters are kept and we fear some never sent out at all.

Don't worry about us, we are safer here in His will than we could ever be over there if He wanted us here. Occasionally we duck when an attack is made near us, and sometimes frightening explosions go on all day, as nearby villages  $\frac{1}{2}$  mile away are being destroyed. The sickening thud of airplane bombs is ghastly to us all, and hard on the nerves.

I will think much tomorrow of the things I should have told you, but this opportunity came quickly and had to be taken.

We love you all so much and long for our good old chats and comradeship. How I praise the Lord for a family that is behind me in this work, and who know HOW to pray for me, who love me deeply, and who share every part of the joy and sorrow of the work. Take this a private letter to you all, and write often. We DO need letters these days to keep us sensible, and happy. How I thank the Lord for a sense of humor. We overwork it these tragic days, and can be sillier than any two pair ever were. BUT we do love the Lord and have such deep fellowship in prayer and in Bible reading. He has given us the MUCH MORE ABUNDANT. For we NEVER dreamed of this fellowship for so long a time. HE knows our love for each other and HE placed us together, and it is and was and we hope will be always of HIM.

Now be angels and write even oftener, and we will love you all so.

Deepest, dearest love,

Joy.

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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

**During 1937 and 1938**

The United States furnished more than half of Japan's essential war materials imported from abroad.

We supplied roughly half of her machinery and engines needed for munitions production, three-fifths of her iron and oil, and nine-tenths of her military trucks and copper. Our exports of scrap iron alone came to 3,286,669 gross tons — 45 per cent of our total world export of this commodity.

It is a conservative estimate that over \$300,000,000 worth of essential war materials went from the United States to Japan during 1937 and 1938.

As Japan's leading market we also furnished, more than any other nation, the funds which made possible the continued purchase of war materials abroad.

We actually spent, during these two years, \$1,138,000,000 for our own naval defenses. Much more is planned. Japanese expansion is the primary cause for these expenditures.

**What can we do about it?**

Thousands who are deeply concerned over the decisive aid furnished to Japanese militarism by the United States are asking the question.

This little leaflet attempts a brief answer. It is for those who really want to contribute to a far-sighted and statesmanly solution of the problem, and are willing to work for it.

The suggestions advanced are by no means exhaustive. They do spring from experience in many places. Each individual and group can best determine what lines of activity they wish to pursue—amending and adding to what is briefly suggested here, and seasoning every effort with energy, resourcefulness, and good sense. Please keep us informed as to what you are doing.

If you wish to take an active part in this movement, then read what follows.

February 1939

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Justafsen NARS, Date 12-18-75

## PRACTICE — AND SAFE

- 1. Write personally to your Government**  
Send letters especially to the Senators from your state and the Congressman from your district. (The enclosures are for your convenience in doing this.) Write also to Secretary Hull and President Roosevelt, urging, in your own words and thought, that effective measures be taken to halt our aid to Japanese aggression. This is enough for the present, and it will have its effect. There will be time later for giving support to specific legislation. Short letters are best—clearcut and forceful. No activity is more important than this. Do it now. *Please let us know what response you get.*
- 2. Urge your friends to write**  
Discuss with them the shocking extent of our aid to Japan—give them materials to read—invite them to join actively in this nationwide effort. Enclose leaflets in your letters to friends, and ask them to do the same.
- 3. Inform your newspaper editor**  
Express yours and others' interest in this question. An editor of a leading paper has remarked that seven letters or telephone calls on one subject show that it is "hot." Write to your editor giving your views on this movement and on editorials and news events that are related to it.

- 4. Write or call on members of your State Legislature**  
Ask them to send a Resolution to Congress. Four state legislatures have done this.
- 5. Form a committee**  
Organize a program for non-participation in Japanese aggression in your own community or state, enlisting for it strong leadership and active workers. If a good committee already exists (perhaps under a different name), offer your help. Such committees should be autonomous. At the same time, they will receive every cooperation that the American Committee can render—through materials or information.  
26 such cooperating committees are now engaged in the following types of activities:  
  - Arranging meetings
  - Disseminating information widely
  - Promoting actively the sending of responsible letters and Resolutions to Washington (in some cases through door-to-door canvass among friends)
  - Securing radio time for qualified speakers
  - Commending, privately and publicly, any who voluntarily forego profits from war trade with Japan; calling upon those actually selling war materials to Japan to

**ORDER AND DISTRIBUTE WIDELY COPIES**



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 Department of State letter, August 10, 1972  
 By Milton O. Gustafson NARS, Date 12-18-75

## GUARD — DEMOCRACY

stop this traffic.

Enlisting the cooperation of other organizations

Forming delegations to call on leading citizens and governmental representatives to discuss this question

Developing new ideas and demonstrating their resourcefulness

*Please keep us informed as to what you are doing*

### 6. Plan special meetings

Many organizations are becoming increasingly alive to this question of American participation in Japanese aggression — churches, clubs, business groups, labor unions, women's organizations, colleges and peace societies. Send for suggestions as to set-up and for literature to be used before and after the meeting. When speakers are not readily accessible send for names from our recommended list. See that influential people and press representatives attend the meeting.

The effectiveness of such meetings is assured when those present determine individually to write letters to Washington and collectively to send a Resolution expressing their views. (A sample resolution may be had on request.)

OF THIS LEAFLET — \$1.00 PER HUNDRED

### 7. Lead your support to the American Committee for Non-Participation in Japanese Aggression

Its program involves the enlistment of further national leadership, research, the publication and extensive distribution of literature, press releases, radio programs, and active cooperation with individuals and groups throughout the country. *Send us the names and addresses of others who are or may become actively interested.* Send us also your advice and suggestions. The range and effectiveness of this Committee's work depends upon you and others who are vitally concerned with this question. It also depends entirely upon voluntary contributions. Send what you can and urge others to do the same. Every contribution which you secure for the Committee in this way enlarges the scope of its work. Financial statements are available on request.

### 8. Remember the urgency and importance of what you are doing

Realize that you are giving root and growth to a great effort to end America's support to Japanese aggression, with all that this implies for the future of peace, justice, and security in the Pacific—and throughout the world.

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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

**American Committee for Non-Participation  
in Japanese Aggression**

8 WEST 40th STREET, NEW YORK, N. Y.

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**What Can We Do**

TO STOP

AMERICA'S PARTICIPATION

IN JAPANESE AGGRESSION



1324

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Department of State letter, August 10, 1972  
By Milton D. Quastler NARS, Date 12-18-75

January 18 1940

In reply refer to  
FE

My dear Mr. Scott:

In the absence of Mr. Welles the receipt is acknowledged of your recent letter in regard to conditions in China.

The Department has noted with interest the material contained in your letter and its enclosures and appreciates the courtesy which prompted you to bring it to the Department's attention.

You may be assured that the Department welcomes and gives careful consideration at all times to information furnished on any phase of our foreign relations.

Sincerely yours,

*Joseph W. Ballantine*

Joseph W. Ballantine  
Acting Chief  
Division of Far Eastern Affairs

Mr. Charles Ernest Scott,  
Care of the Philadelphia National Bank,  
15 North Thirty-second Street,  
Philadelphia, Pennsylvania.

CR ✓  
JAN 18 1940

793.94/15615

F/FG

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Make copy of  
this letter



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Department of State letter, August 10, 1972  
By Milton D. Quastler NARS, Date 12-18-75



DIVISION OF  
EMBASSY OF THE  
UNITED STATES OF AMERICA STATE

No. 1447

Lima, January 13, 1940

Subject: News despatch and article regarding  
Japanese Foreign Policy, published in  
El Callao of Callao, Peru.

Division of  
FAR EASTERN AFFAIRS  
JAN 20 1940  
Department of State

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DEPARTMENT OF STATE  
ASSISTANT SECRETARY  
OF STATE  
JAN 30 1940

The Honorable  
The Secretary of State,  
Washington, D.C.

Sir:

I have the honor to report that, on January  
12, 1940, El Callao of Callao published a Havas  
despatch from New York regarding a press statement  
made by Totosu Kawai, "Japanese Minister Extraor-  
inary in the United States, South America and  
Europe", in which statement the Minister is said to  
have defended Japanese policy in China, to have de-  
clared that Japan has no territorial ambitions and  
desires only cooperation with the Chinese. The  
Minister further is quoted as praising Wang Chiang  
Wei, the "leader of the Chinese groups which desire  
cooperation

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JAN 3 1940

AIR MAIL

- 2 -

cooperation with Japan", and as stating that the object of Japan is the unification of Asia. According to this news item, Mr. Kawai is en route to South America where he will remain until the end of February, after which he will return to the United States and then go to Europe on a special mission.

El Callao also published, on January 12th, an article about Japan under the following date line:

"Paris, 12. (Havas).- (By Jean Allary, Editor of the Havas Agency). (Exclusive for El Callao in Peru)."

Large headlines above the article read as follows:

"The Internal Crisis in Japan  
Increases in Proportion to the  
Proximity of the Date of Expiration  
of the American-Japanese Treaty".

The article states that information from Tokyo demonstrates that the Japanese internal crisis is increasing with the approach of January 26th, the date on which the Japanese-American commercial treaty expires. Interest taken in Paris in the Japanese situation is said to be due to the fact that the Japanese internal crisis is added to a crisis in the country's foreign policy. It is claimed that General Abe already has decided to resign. Questions of prices and supplies of foodstuffs are said to be responsible for the attacks of the opposition on the Government of General Abe, although the writer of the article expresses the opinion that the Chinese problem is the basic one which must be solved by the Japanese Government. The opinion also is expressed

AIR MAIL

- 3 -

expressed that the Military wishes to gain control of the Government at any cost.

It is observed that Mr. Shiratori, former Japanese Minister to Italy, who sought to bring about a military alliance with Germany, has returned to office. It is stated that a campaign is being conducted to follow Berlin's policy of an understanding with Moscow. Shiratori is quoted as claiming that Germany and Japan have identical missions: to establish a new order - one in Europe and the other in Asia.

The article observes that if Italy and Germany draw closer to the Soviet and to Japan, and if the latter two countries reach an understanding, that policy "is incompatible with normal Japanese-American relations, and up to the present time, the United States has demonstrated great firmness and holds suspended over Japan the 'sword of Damocles', which the denunciation of the Japanese-American commercial treaty signifies for that country. The moment is approaching when Tokyo will see itself obliged to choose between Washington and Moscow".

The article then states that some observers are of the opinion that Shiratori has lost much of his influence, but that he still represents the view of the military party.

The article then denies rumors to the effect that Japan has addressed a diplomatic protest to France

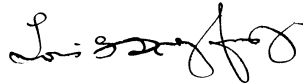
regarding

AIR MAIL

- 4 -

regarding the shipment of war materials to China  
by the Younan Railway. It is observed that while  
these rumors are false, they are interesting as a  
proof of the conflict between the military politicians  
of Japan.

Respectfully yours,



Louis G. Dreyfus, Jr.,  
Chargé d'Affaires, a.i.

File: 710-Japan  
GHB/ald

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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

*FE*

**TELEGRAM RECEIVED**

FROM

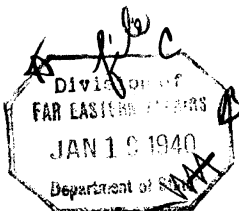
HSM

GRAY

Foochow via N. R.

Dated January 18, 1940

Rec'd 11:50 a. m.



Secretary of State,  
Washington.

SENT TO  
CHUNGKING

January 18, 6 p. m.

*EG*

Two Japanese planes are reported to have dropped four bombs on Kuantow and two on village on Woga creek this morning between 10 o'clock and noon, marking fourth consecutive day on which attacks have been made on the river delta. That on 14th was carried out by nine large bombers accompanied by eight reconnaissance planes and directed at a group of undefended fishing villages on Woga Island; conservative estimate of casualties is 57 killed and 60 injured, with some 160 dwellings destroyed. No details of the bombing of the 15th are available; in yesterday's raid two planes dropped six bombs on the Changmen forts, the number of casualties in that and today's raid being unknown.

FILED  
JAN 24 1940

Sent to Peiping, repeated to Chungking.

WARD

CSB

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Department of State letter, August 10, 1972  
By Milton D. Chastain NARS, Date 12-18-75

CROSS-REFERENCE FILE

NOTE

SUBJECT Sino-Japanese Conflict.

Military activity report for month of October, 1939  
submitted.

793.94/ 15618

For the original paper from which reference is taken

See #896 to Embassy  
(Despatch, telegram, instruction, letter, etc.)

Dated Nov. 6, 1939 From Tientsin (Caldwell)  
~~Tex~~

File No. 893.00 P.R. Tisntsin/138

N

15618

-3-

done to American rights and property in China was not deliberate, and that the Japanese Army failed to find anything in the speech to indicate that Ambassador Crow had presented to the American Government and people the viewpoint of the people of Japan.

9. Neutrality Act. Americans viewed with alarm the provisions of the American Neutrality Bill, which, if enacted, would have effected a complete curtailment of American shipping to belligerent countries and their possessions. The Tientsin American Chamber of Commerce on October 14th, in a telegram to the Department of State, declared that it was vital to American trade and interests in China and the Far East that adequate American shipping facilities be maintained to Japan, China, Hongkong, and other Far Eastern countries. The Neutrality Bill as finally passed by the Senate on October 27th was favorably commented upon by Tientsin shipping and commercial firms and it was considered that the Bill will have little influence on trade with China.

3. Relations with Other Countries.

1. Japan.

a. Proposed New "Central Government".

Japanese plans for the inauguration of a new "Central Government" for China on October tenth, a Chinese national holiday (page 4, September political report), failed to materialize. The  
spokesman

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(NW 5-9)

-8-

spokesman of the Foreign Office at Tokyo stated on October 25th (TRANSCOMMUN press) that the date of the proclamation of a new Chinese Government had not been fixed. DOWEI, on October 30th, reported that the second meeting of the "Provisional Regimes" would take place November 8 to 10 at Tsingtao, simultaneously with the 7th Session of the United Grand Council of the Peking and Hanking regimes. At this meeting, according to DOWEI, Mr. Wang Keh-min, head of the Peking Government and Mr. Liang Hung-shih, head of the Hanking Government, will reach an understanding with Mr. Wang Ching-wei, head of the "Orthodox Kuomintang Party", regarding the organization of the new "Central Government".

b. Japanese Military Operations in Shansi. Japanese military activities in North China were confined to anti-guerilla campaigns in Shansi. A Japanese military report (DOWEI - October 10) claimed that in that province during September there were 304 engagements with Chinese troops and guerillas aggregating a numerical strength of 72,000. The same source stated that large-scale offensives were launched during October against Chinese concentrations (the 1st Army Corps) in South Shansi, and on October 29th announced that Shihowchen (石侯鎮), Shihien (隰縣), and Wuchengchen (吳城鎮) had been taken by the Japanese. Aerial activities in



-7-

in North China were confined to attacks on Shanai towns and villages.

c. Mongolia. According to a news report of October 21st from Kalgan, plans are progressing for the formation in Mongolia of the Hsieh Ching Hui as a political party, with Prince Teh, Chairman of the Federated Autonomous Mongolian Government, as President, and its inauguration is expected to take place in November.

The Ministry of Finance of the Mongolian Government announced that the ordinary budget for the 734th year of Chinghis Khan (1939) had been set at Yuan \$25,209,551. "Extraordinary income" was announced as Yuan \$78,031,954 and "extraordinary expenditures" as Yuan \$74,826,587.

d. "Provisional Government". DCHMI reported that 279 cadets were graduated from and 161 completed special training at the Tungchow Military Academy on October 2nd and had been assigned to the "new army" stationed at Paoching (保定), Tsinan (濟南), and Tangshan (唐山). The same source on October 11th announced the prospective organization of a new Chinese Army to consist of 18,000 members, and the departure from Peiping of a Peace Preservation Corps of 13 divisions for punitive operations against Chinese bandits in cooperation with Japanese forces.

Control of the Hsin Min Hui was taken over by the Headquarters of the Japanese Army in North  
China

-3-

China pending the inauguration of the new "Central Government" and it is to be reorganized as a political party. The 7th Session of the Grand Council of China which was to have met at Peiping during October was postponed and it was announced that the meeting would be held at Tsingtao early in November.

e. Young Men's League. Six thousand Japanese youths, according to a Peiping report of October 3rd, have joined the recently inaugurated Young Men's League for the promotion of the campaign of "East Asia Development". For the same purpose a Chinese Youths' Corps is under organization by the Japanese authorities.

f. New Japanese Consul General for Tientsin. Mr. Yoshio Muto (formerly First Secretary of the Japanese Embassy in London) assumed charge of the Japanese Consulate General at Tientsin on September 30th, succeeding Mr. Shigenori Tashiro, who was appointed Vice Minister of Foreign Affairs in the newly established "Manchukuo" Foreign Ministry at Peiping. Upon the request of his consular colleagues at Tientsin, Mr. Muto on October 30th succeeded Mr. Tashiro as consular representative and Chairman of the Hai Ho Conservancy Commission.

g. Japanese Population of North China. Japanese statistics published at Peiping on October 15th indicated that on July 31, 1939 there were 153,823 (as compared to 97,368 a year ago)

Japanese

b. ~~SI~~ **British Agitation.** No anti-British boycott agitation was noticeable at Tientsin during October but a REUTER's report of October 31 stated that as a result of continued agitation in the interior 15 British mission hospitals had been closed in North China (in Honan, Hopei, Shantung, and Shansi Provinces), and the Peking Anti-British League held several meetings to discuss

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Chumley NARS, Date 12-18-75

CROSS-REFERENCE FILE

NOTE

SUBJECT Sino-Japanese Conflict.  
Military operations reported.

793.94/15619

For the original paper from which reference is taken

See #4269  
(Despatch, telegram, instruction, letter, etc.)

Dated Nov. 30, 1939 From Japan (Grew)  
Tex

File No. 894.00 P.R./143

N

15419

- 14 -

(b) China

1. Military Operations\*

793.94  
It will be recalled that during September the Japanese military had launched large scale operations in the Nanchang-Yochow-Changsha region directed against forces of the Chinese Ninth War District in that area and apparently with the ultimate objective of capturing Changsha. It will be further recalled that one body of Japanese soldiers was claimed by the end of September to have reached within eleven miles of Changsha. After the beginning of October no further reports were heard regarding this campaign and it soon appeared that the Japanese had met a severe check in their drive and had failed to take Changsha if they had not in fact been actually driven back by the Chinese defense. On October 9, a communiqué was issued by the military headquarters "explaining" the situation to the effect that the military operations in question had as their principal purpose the "destruction of the fighting calibre of the enemy troops and not the capture of a strategic point".

Further fairly heavy fighting continued around Siushiu in western Kiangsi. The Japanese claimed to have defeated in several engagements Chinese forces in that area. Operations were undertaken during the month against a sizeable force of guerillas in the Kiangsu-Anhwei-Chekiang area with the apparent purpose of clearing away these Chinese forces which had been obstructing navigation on the inland waterways  
in that

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\* Prepared with the assistance of the office of the Military Attaché.

- 15 -

in that region. The Japanese claimed to have successfully concluded the operations by the middle of September. Other engagements were reported to have occurred in Shansi, Shantung, Honan, Hupeh, and Kwangtung. In the last named province it was announced that the Japanese forces were withdrawn from Chungshan in deference to Sun Ya-sen, who was born there.

The Japanese air forces during the month under review were reported to have been very active in carrying out many air raids over large areas of unoccupied China. Communication centers in Shensi and Kansu in the northwest, Szechuan, Hupeh, and Hunan in central China, and Kwangsi in south China, were severely attacked. Despite frequent raids made against air fields, particularly in Szechuan, Hunan and Hupeh, it appeared that the Japanese Army had been unsuccessful in its objective of putting the Chinese air force out of commission, for on October 14 the Chinese conducted an effective raid against the Japanese military airfield at Hankow.

CROSS-REFERENCE FILE

NOTE

SUBJECT Sino-Japanese Conflict.

Report on military activity for month of November, 1939  
submitted.

793.94/15620

For the original paper from which reference is taken

See #459 to Embassy

(Despatch, telegram, instruction, letter, etc.)

Dated Dec. 4, 1939

From Tsingtao (Sokobin)  
~~TS~~

File No. 893.00 F.R. Tsingtao/137

N

15620

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By MURDOCK, D. S. / JTC Date 12-18-75

Opposition to recruitment of Chinese laborers  
in Shantung

793.94

The Japanese Consulate General indicated that the Japanese authorities would oppose any attempt on the part of belligerent powers to recruit Chinese laborers in Shantung as had been done in 1917-18.\* Opposition was apparently based on (1) the fact that there is a considerable shortage of labor in Tsingtao with resulting difficulties in coping with the daily increasing shipping and construction activity, (2) the desire to prevent the Chungking Government from obtaining foreign exchange which would result from remittances by Chinese laborers abroad, and (3) the desire to emphasize Japanese political hegemony in North China. The interest of the Japanese in Tsingtao appeared to have been aroused by a Tokyo newspaper item based on

\*See Tsingtao's despatch no. 457 of Nov. 20, 1939, file 800/851.51, subject: Japanese oppose recruiting Chinese labor in Shantung by belligerent powers, etc.





- 9 -

the report of a Japanese newspaper correspondent in Shanghai. There is no evidence whatsoever that recruiting is taking place in Shantung and it would appear that any attempt on the part of a belligerent power to recruit shantung laborers would be strenuously opposed and obstructed by the Japanese authorities through their control of the railway and shipping in Tsingtao.

Japanese Military Activity in Shantung Proximity

A large number of troops appeared in Tsingtao during the latter part of November after reports of considerable activity in the Laiyang district where numerous attempts have been made by the Japanese to oust permanently a large Chinese force. Time after time the Japanese have met with minor successes only to find that the Chinese have re-established themselves in and around Laiyang. From independent observers it has been learned that a very serious effort is apparently now being made by the Japanese to eradicate the Chinese in the Laiyang region.

Restoration of Night Passenger Service on Tsingtao-Tainan Railway

On November 1, 1939, for the first time since the Japanese occupation of the Tsingtao-Tainan Railway in January 1938, two night passenger trains were placed on the run between Tsingtao and Tainan, one in each direction. Operating schedules were revised to provide as much as possible a normal pre-hostilities service, although there is still a considerable shortage of first class passenger and freight equipment.

During November the eastern section of the Lunghai railway was incorporated within the North China Railway Company

- 10 -

Company system and placed under the control of the Tsinan division of that company. Considerable development is being undertaken at the port of Haichow and the indications were that, so far from permitting the port of Haichow to play a minor roll compared with Tsingtao, efforts will be made to make it an important outlet particularly for the coal of the Chung Hsing mines in southern Shantung. A 1,500 ton Japanese steamer was placed on the Tsingtao-Haichow run, that vessel being regarded exceptionally large in comparison with other vessels which have hitherto been engaged in trade between Tsingtao and Haichow. The indications definitely point to further Japanese exploitation in that region.

Japanese Returned Large Hospital to Tsingtao Municipality

Possibly as indicating a trend in Sino-Japanese relations in this district, of interest was the surrender of Tsingtao's principal Chinese hospital to the municipal administration. This hospital had been established as a municipal institution prior to the hostilities but was occupied by the Japanese following their entry in this city in 1938. Thereafter a medical college under Japanese auspices was established therein. The action of the Japanese in returning the hospital to the municipal administration for its original purpose may be taken as a sign of returning sanity and common sense in Japanese "cooperation" with the Chinese people for which the Japanese are to be complimented.

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quate NARS, Date 12-18-75

CROSS-REFERENCE FILE

NOTE

SUBJECT Sino-Japanese Conflict.

Summary of Japanese activities during month of November,  
1939 given.

793.94/ 15621

For the original paper from which reference is taken

See #2732

(Despatch, telegram, instruction, letter, etc.)

Dated Dec. 6, 1939

From Shanghai (Lockhart)  
Via

File No. 893.00 P.R. Shanghai/134

N

U. S. GOVERNMENT PRINTING OFFICE 1-1540

15621

Japan.

79394  
Military Activities. The Japanese engaged in extensive "mopping up" operations during the month. According to Japanese reports, these operations were particularly aimed at the "liquidation" of Chinese regular troops and organized guerrillas in the Hangchow-Huehow area and the area to the west of Lai Tai. Japanese reports claimed the usual successes but foreign sources reported that Japanese attacks launched across Lake Tai against Chinese forces operating to the west of the lake were repulsed with considerable losses. According to Japanese reports, six divisions of Chinese troops under the command of General Tang Shih-tsun are operating in southeastern Anhwei and five divisions under General Chang Wen-ching in southern Kiangsu.

A

\*Telegram no. 1046, November 27, 5 p.m.

-8-

A reliable observer who recently visited the area in southern Kiangsu west of Lake Tai reported that three full divisions of Central Government troops, namely the 62nd, 73rd and 108th Divisions and the 33rd Independent Brigade, are operating in this region, that they total approximately thirty-five thousand men and are equipped with light guns, machine-guns and rifles. Chinese guerrilla units continued to harass Japanese lines of communications and succeeded in mining sections of the Shanghai-Hangchow and the Shanghai-Nanking railways and in damaging some rolling stock.

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Gustafson NARS, Date 12-18-75

15852

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WILL INDICATE WHETHER

DEPARTMENT OF STATE  
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1940 JAN 19 PM 6 30  
Department of State

"Br" PLAIN

Charge Department:

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

Washington, <sup>40</sup>  
January 19, 1939  
6 pm

Full rate  
Day letter  
Night letter

AMEMBASSY,

Charge to

TOKYO (JAPAN) VIA PEIPING. <sup>PR</sup>

This cable ... Code ...  
It should be ...  
being communicated to ... BR

INFO: AMEMBASSY, CHUNGKING (CHINA).

25

The Department desires that, unless you perceive objection, you make an informal approach to the Japanese Foreign Office along lines as follows:

793.94  
not  
393.115  
843.77

The Government of the United States is informed that Japanese military planes have recently subjected to frequent bombings that part of the railway between Haiphong and Yunnanfu which lies in Chinese territory. A considerable part of the trade involved in this country's normal commercial relations with China has in recent months been carried on via that railway. Japanese bombing of the railway must, therefore, necessarily injure American commerce and may endanger the lives of American citizens engaged in that commerce. This injury to our commerce and danger to our nationals comes at the very time when, according to our understanding, it is Japan's desire to indicate to this country its intention to avoid injuries to the rights of third powers in China. If the bombing continues, the United States will be compelled to enter this activity on the already long list of commercial and other injuries which it has suffered as a result of

793.94/15621A

Enciphered by \_\_\_\_\_

Sent by operator \_\_\_\_\_ M., \_\_\_\_\_, 19\_\_\_\_

F/FG

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

15853

PREPARING OFFICE  
WILL INDICATE WHETHER

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Collect { Full rate  
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Department of State

Charge Department:

Full rate  
Day letter  
Night letter

-2-

Washington,

Charge to \$

Japanese action in China. We assume that the Japanese Government is aware that the railway is an important means of ingress and egress for the personnel of American official establishments at Chungking. Bombing attacks on the railway may, therefore, endanger the lives of Americans lawfully engaged upon the conduct of official duties.

Please inform the Department of such action as you may take.

Sent to Tokyo via Peiping. Repeated to Chungking.

~~Handwritten signature~~  
J. Bull

WAA  
FE:WAA:HJN/JPS

FE  
JWS

PA/H  
Sitt

Enciphered by \_\_\_\_\_

Sent by operator \_\_\_\_\_ M., \_\_\_\_\_, 19 \_\_\_\_\_

7348

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Gustafson NARS, Date 12-18-75

PREPARING OFFICE  
WILL INDICATE WHETHER  
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TELEGRAM SENT

15854

TO BE TRANSMITTED  
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PARTAIR  
PLAIN

Department of State

-2-

Washington,

Japanese action in China. We assume that the Japanese Government is aware that the railway is an important means of ingress and egress for the personnel of American official establishments at Chungking. Bombing attacks on the railway may, therefore, endanger the lives of Americans lawfully engaged upon the conduct of official duties.

Please inform the Department of such action as you may take.

Sent to Tokyo via Peiping. Repeated to Chungking.

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red by \_\_\_\_\_

operator \_\_\_\_\_ M., \_\_\_\_\_, 19\_\_\_\_



DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Sulejka NARS, Date 12-18-75

5 copies to Department

No. 463

AMERICAN CONSULATE

Tsingtao, China, December 19, 1939.

1940 JAN 23 PM 4 20

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FILED  
JAN 21 1940  
Department of State  
WAA

Subject: Bombing of Sui Ping, Honan Province.  
No American Property Damaged.

793.94

The Honorable

Nelson Trusler Johnson,  
American Ambassador,  
Peiping, China.

Sir:

I have the honor to quote the following from a letter dated December 7, 1939 addressed to this consulate by the Reverend John Skepstad of the Lutheran United Mission at Sui Ping, Honan Province:

"Our city was bombed November 30, and 48 killed with 46 wounded. I was at a neighboring city that time, and only heard the sound of the bombing. Perhaps it was a good thing that I missed it, for under no circumstances is it pleasant. The mission was not damaged in any way, and none of our Christians was killed or hurt, altho three of them had their houses damaged or destroyed. We have 6 American flags displayed on the compound, and there was no attempt to annoy us in any way."

Respectfully yours,

Samuel Sokobin,  
American Consul.

800  
SS/AD

Original to Embassy, Peiping,  
5 copies to Department of State,  
Copy to Consulate General, Hankow,  
Copy to Embassy, Tokyo.

A true copy of the signed original.  
RD

793.94/15622

F/FG

15622

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Quastrom NARS, Date 12-18-75

NO. 2756

*FE*  
*A-L/K*

AMERICAN CONSULATE GENERAL,

Shanghai, December 16, 1939.

Strictly Confidential as to Source.

Division of  
FAR EASTERN AFFAIRS  
JAN 25 1940  
Department of State

793.94

SUBJECT: Japan's Methods of Establishing  
a "New Order in East Asia."

COMMUNICATIONS  
AND RECORDS  
THE HONORABLE  
THE SECRETARY OF STATE,  
WASHINGTON.

M  
Burtmet  
D. C. S. A.

SIR:  
DEPARTMENT OF STATE  
A.M.  
FEB 8 - 1940  
ASSISTANT SECRETARY  
OF STATE

793.94/15623

I have the honor to enclose a copy of a report dated December 10, 1939, by Mr. E. A. Turner, an experienced observer, commenting on the methods employed by the Japanese in North China in establishing a "New Order in East Asia." The report was obtained through the courtesy of Mr. Morris J. Harris, Chief of the Bureau of the Associated Press, Shanghai, who also supplied the reports forwarded with the Consulate General's despatches nos. 2422 of August 10 and 2658 of November 6, 1939, on the subject of Japanese action in China against Christian mission work.

Summarized, the report brings out that immediately following the establishment of Japanese control in North China the Japanese military, Japanese commerce and the Japanese "carpet baggers" (who have been invading North

China

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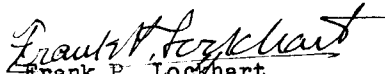
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-2-

China at the rate of three thousand a month) benefited greatly from the confiscation of public property. It states that seizures of public property have been followed by confiscation of private property and the exploitation by the Japanese of Chinese in all walks of life, and further that enforced taxation and the establishment of monopolies of all kinds have made the lot of the Chinese very difficult while large numbers of Japanese military and civilians have grown rich and are constantly increasing their wealth through these means.

It will be noted that there is a tendency in some parts of the report toward a free and somewhat unwarranted use of superlatives, indicative perhaps of the style of the writer. Basically, however, it is felt that the report may be taken as presenting the actual conditions existing in the North China areas occupied by the Japanese military.

Respectfully yours,

  
Frank P. Lockhart  
American Consul General

✓  
Enclosure:

1/- Copy of memorandum on methods employed by Japanese in North China in establishing "New Order in East Asia."

800  
RPB MB

In Quintuplicate .  
Copy to Embassy, Peiping (by hand via Tokyo.  
Copy to Embassy, Chungking.  
Copy to Embassy, Tokyo, (by hand).

H

F.P.

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. [unclear] NARS, Date 12-18-75

Enclosure no. 1 to despatch no. 2756 of Frank P. Lockhart, American Consul General at Shanghai, Dated December 16, 1939, on the subject: "Japan's Methods of Establishing a "New Order in East Asia."

North China  
Dec. 10, 1939.

Friends of Japan's New Order in East Asia are wondering if like its promoter, the Japanese Imperial Army, the Order is becoming hopelessly enmeshed in the toils of its great ambition. For months now the New Order has been in operation in North China, but all it has to show for its long effort is still a structure supported by the soldier and his bayonet. There is yet to appear any evidence of popular support on the part of the Chinese public for whose benefit the order was designed and introduced into North China. The people are supporting the order, but only because they have to, and the support they give is at increasingly heavy expense and cost to pocket and personal and national pride.

A review of the situation in North China, after more than two and a half years of Japan's still limited territorial control shows a decided economic penetration and full control of economic life not for the benefit of the Chinese people but for the interest of Japanese domination. Following the first establishment of Japanese control, the story inevitably and invariably repeated from place to place has been the open stealing of all semi-public property, such as railways, motor roads and all their rolling stock, machine shops, real property and equipment, and their operation for the benefit primarily of military operations and secondarily for the benefit of Japanese commerce and the thousands of carpet bagger agents and small merchants, which have been pouring into North China at the rate of about 3000 per month, beginning as early as possible after the military advance opened the way. These merchants and their agents have not been idle, for following their coming began, and continues still, the second phase of the New Order, that of the control of economic life. The earlier stages of this second phase was the seizure in military phraseology for the benefit of the Army, but to the ordinary man it has seemed stealing of, factories, in many cases without the payment of a cent, and in others with the payment of less than a nominal sum. Inquiries in city after city in occupied territory brings invariably the same story of the forcible taking over by Japanese interests of every money making Chinese enterprise, occasionally under arrangement which retains a Chinese ownership of minority stock, and payment for the stock of the Japanese holders from future profits. Under this arrangement, the free Chinese capitalist has practically disappeared from North China. This is the oft repeated story both of public and private enterprise in occupied territory, but the tale continues.

As

-2-

As this story of high handed confiscation under the guise, at least, of military necessity has gone on, all under the authority and at a price by the military authorities, there is behind the scenes and with the tragic accompaniment of personal distress the continuing story of exploitation and protected thievery which is reaching further down into personal and private life and forcing individual Chinese to sell desirable residence and business property from which they have derived personal and family support. In Tsingtao, Tsinan, Hauchow, Tientsin, Peking and in scores of smaller cities in the strips of territory along lines of communications, which the Japanese control there are building booms. These booms are largely occupied in the wrecking and rebuilding of property which Chinese owners have been forced to sell to Japanese individuals, who are making hay while the great "Red Sun in a White Background" shines over the land. Scores of shops, hotels, and restaurants are appearing along the business streets of these cities in buildings which were thus acquired and remodeled, or replaced by entirely new structures put up by Japanese. Off the business streets and in the residential sections the same process is going on, where Japanese adventurers and army followers, as well as army officers, are blossoming forth as owners of foreign style homes. This process goes on not only to the distress of Chinese owners, but to the discomfort, also, of foreign residents in these cities, who for years have been tenants of Chinese landlords. The foreign tenant, from under whose feet, regardless of contract, of lease, the house in which he lives is sold has no redress. He has to get out and let the new Japanese landlord have his New Order property.

This seizure of semi-public property, of factories and business enterprises and the forced sale of private property is one of the visible fruits of the New Order in every section of the occupied territory, but there are scores of under cover "mopping-up" operations which are reaching down to the lower levels of life, where they fall hard and oppressively on the poorest. Every phase of economic and commercial life is being organized so that each pays its financial quota to the support and maintenance of the New Order regime. Income taxes are being imposed on the salaried and the unsalaried, and taxes on both private and semi-private enterprises are being levied. In most of the cities now six percent of the rental value as determined by the New Order authorities is being imposed on private dwelling houses, including those occupied by foreign missionaries and foreign business men, while stores, theaters, hotels and boarding houses are forced to pay twenty percent of their rental value. The hand of the tax gatherer is, also, reaching out into the country districts, where the New Order controls. One of the methods recently used in the limited districts under control in the vicinity of Chefoo was that of visitations by air planes, which have dropped

leaflets

-3-

leaflets over villages announcing that they would be expected to make cash payments to the nearest tax office of so much per mow, usually \$3.00, on all the land within their districts. The alternative promised was destruction. No inquiry can cover all such villages in any area, but in Chefoo it was reliably reported that villages failing to make the assessed payments are being burned, so that villages now suffer between the upper and the nether mill stones. The upper mill stone is responsibility for attacks from guerrilla forces and the nether is destruction from the Japanese regime, if they do not contribute the financial support of which they are thought capable.

In Chefoo city there are monopolies now which cover the handling of cargo, to and from the ships in the harbor, transportation of goods by land, the operation of sampans, sale of fish, milk, flour, fruit, vegetables, light, water, passenger transportation, the removal of night soil from private homes, not to mention the dispensation of propaganda. What that means in the concrete, so far as the removal of night soil from homes is 10¢ per individual in the home per month for a service which in ordinary times, the farmer from the country in need of fertilizer was glad to remove regularly and daily for nothing. What it means in the field of publicity is the enforced subscription in homes, shops and semi-public institutions to the local government daily newspaper, and recently this had gone a step further thru the imposition of a radio sale scheme. Shops capitalized at \$1000.00, or more are being forced, not by the government as such, but by protected carpet baggers in semi-military dress, who hold the threat of "non-cooperation", or anti-Japan sentiment over them, and whom present conditions and demoralized machinery of law and order permit to bulldoze and intimidate the people, who "want to keep out of trouble". There is no inconsiderable element of this type of exploiter, perhaps altogether without military, or official status, but who as Japanese citizens under the protection of the "New Order," are getting rich by trading on the fears of the people. In addition to newspapers and radios the people have been forced by this type of pressure to buy flags, door plates, framed combinations of the Japanese and New Order flag, bedecked with slogans proclaiming loyalty to the puppet government in its cooperation with the Imperial Army in whose wake there has come peace.

Thru all this ostentatious and government protected organization of monopolies, as well as in the multiplication of the exploiting rackets of private Japanese citizens, are benefits which all the North China region knows to its increasing discomfort and sorrow are for the benefit of Japan and its ubiquitous army of exploiters. Every such monopoly has meant increasing costs. That which controls sampan transportation of passengers and baggage from ships to shore illustrates this. The old

price

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Hunter NARS, Date 12-18-75

-4-

price was twenty cents per passenger and ten cents per piece of baggage. The price now is eighty cents per passenger and twenty cents per piece of baggage. Prices of meats, fish and vegetables have risen three and four-fold. The poor man who wanted to wad his clothes, or a comfort for his bed got cotton for thirty-five cents per pound before the New Order came; now he pays \$1.40 for the same amount of cotton. When it comes to law and order and safety of person, the city regimen exacts more for its maintenance, but the quality of protection is such that men do not feel secure.

Copied by MB  
Compared with JM

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quisenberry NARS, Date 12-18-75

No. 2784

AMERICAN CONSULATE GENERAL  
Shanghai, China, December 27, 1939.

Division of  
EASTERN AFFAIRS  
JAN 2 1940  
WAG

793.94

SUBJECT: Sino-Japanese Economic Cooperation.

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STATE  
1940 JUN 27 PM 4 09  
RECORDS

THE HONORABLE  
THE SECRETARY OF STATE

WASHINGTON.

SIR:

1/ I have the honor to enclose as of possible interest  
to the Department a copy of an interview with Mr. Kenji  
Kodama, President of the Central China Development Company,  
as printed in FINANCE & COMMERCE (Shanghai) on December  
20, 1939, on the subject of Sino-Japanese economic co-  
operation.

SUMMARY

Mr. Kodama argues that the present situation in  
China reflects temporary military exigencies, and that  
judgment regarding Japanese intentions must be suspended  
for the emergency period. With the coming of peace, he  
said, the character of Japanese economic endeavor in China  
would change, and there would be a reversion to the normal  
course of affairs, with industry and commerce administered  
equitably for the joint benefit of Chinese, Japanese and  
other foreigners. The Chairman of the British Chamber  
of Commerce at Shanghai offered a criticism of the gen-  
eral Japanese point of view regarding "the New Order in  
East

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"East Asia", pointing out that the political conditions upon which all talk of peace has heretofore been predicated are irreconcilable with Chinese sovereignty; and that, as regards "economic cooperation", as things stand at present China could not hope to enjoy the opportunity of developing its industry and commerce free from restrictions imposed upon that development by Japan. That observer indicated that Japanese policy will be accorded such value as Japanese acts dictate, and proposed that the keynote of that policy should be good-neighborliness and friendship and that the sovereignty and independence of China should be unrestricted. It would appear, however, that the impelling force of contemporary circumstances is not being exerted in the direction of a restoration of the old order of things.

END OF SUMMARY

It will be observed that, according to the reporter of that interview, Mr. Kodama conveyed the general impression that Japanese commercial leaders are sincerely endeavoring to effect a cooperation which is both equitable and mutually beneficial to Chinese, Japanese and other foreign interests. Relating that the Japanese economic mission of April 1937 which he headed had returned to Japan thoroughly convinced that they were headed toward "a peaceful economic evolution", and that the outbreak of the "Incident" has resulted in the development of a situation which is entirely different

from

- 3 -

from that of early 1937, Mr. Kodama pointed out that the existing situation itself includes factors which are of only a temporary nature and asked that final judgment of the Japanese intentions be suspended until the emergency period has passed. He asserted that "it is entirely untrue to say that Japan's economic plans in Central China aim at the domination of all commercial undertakings; the opposite is the case." The present status of the companies which have been established in Central China is only temporary, he said, and that status will be changed once "other interests" come forward. More particularly, he stated that Chinese "should" eventually occupy important positions in the economic enterprises of the Development Company, as regards both capital and management; that the interests of third Powers (third Power nationals?) would receive the same equitable consideration; that the shares of Chinese in enterprises which are now "under Japanese care" have not been confiscated and will be returned to the shareholders when they appear; and that "All foreign capital interests will be adjusted and obligations recognised." The present period, he concluded, is one during which hostilities are still continuing; for that period, supervision over the twelve companies of the Central China Development Board will continue to be exercised by the Asia Development Board, but with the advent of peace "there will be a change to a peace-time footing and all business matters will be dealt with in the traditional, normal peace-time way."

Sir

- 4 -

Sir Robert Calder-Marshall, Chairman of the British Chamber of Commerce at Shanghai, writing in the same issue of FINANCE & COMMERCE on the subject "The New Order in East Asia - What is It?", offered the obvious criticism of the Japanese concept of "the New Order" - without, however, making specific reference to Mr. Kodama's interview. He pointed out that the conditions precedent to the establishment of "the New Order", which include the demands that China shall recognize the independence of "Manchukuo", that China shall join with Japan in an anti-Comintern pact, that Japanese troops shall be stationed in China for the duration of that pact, and that Japan "plans to limit to the necessary minimum" (italics in original) all restrictions in third-Power economic activities within the bounds of the Japan-"Manchukuo"-China bloc, are demands in themselves irreconcilable with China's sovereignty: Japan apparently intends to be the dominant partner in the tri-partite relationship. The definitions of a policy, Sir Robert contended, are valueless unless preceded and supported by acts which demonstrate that the policy is in reality based on good will and not on a desire to dominate and control. At the present time, he pointed out, all but an insignificant percentage of the Chinese people are antagonistic to Japanese domination, not only because a large part of their country is temporarily under alien occupation but because "their industries have been destroyed, their plants occupied and operated by aliens; their trade subject to restrictions, embargoes and imposts which while

- 5 -

while depriving them of their means of livelihood are designed to enable the foreign invaders to make fat profits at their expense": China as a weaker member of the Japan-"Manchukuo"-China economic bloc would obviously be unable to make independent progress either industrially or commercially, and would be unable to expand in any way which might be considered prejudicial to manufacturing or other interests of Japan. Sir Robert took cognizance of the Japanese contention that the present situation reflects military exigencies, but he argued that military necessity cannot be taken as more than temporary justification for certain acts. He said that, "Presumably the proponents of the New Order in East Asia policy would argue that military necessity even now prevents the restoration of the Northern area of the International Settlement to the administrative control of the Municipal Council; that this same military necessity prevents the restitution to their legal owners of mills and other industrial plants which have been occupied and are being operated by Japanese firms for their own profit without the consent of the owners; that military necessity requires the continuation of the Japanese monopoly of Inland water navigation; that restrictions which seriously interfere with the supply of rice and other foodstuffs and fuel, essential to the welfare of Chinese and the shortage of which causes price inflation and great hardship, is also due to military necessity." In conclusion he offered the following observation:

"There

-6-

"There can be no question that all parties to the present unhappy Sino-Japanese conflict desire peace, but it would appear to be equally certain that peace cannot be achieved unless deeds demonstrate that the sovereignty and independence of China are not restricted and that good-neighbourliness and friendship are for the future to be the keynotes of policy between these two countries."

CONCLUSION

The lessons to be adduced from past events in Korea and Manchuria lead one inevitably to the conclusion that the current tendencies are diametrically opposed to any substantial restoration of the old order of things in China. Some Japanese leaders, driven by current necessity to consider the course which Japan shall follow, would purport as did Mr. Kodama to believe that a cessation of hostilities will be followed by the restoration of "the traditional, peace-time way". Their convictions would receive a natural stimulus from the desire of the Japanese Government to achieve political success and obtain economic concessions in an international milieu which contains many elements dangerous to the Japanese nation. It would appear, however, that some of the publicized better intentions of Japan in regard to China stand little chance of reaching fruition.

Respectfully yours,

*Frank P. Lockhart*

Frank P. Lockhart  
American Consul General

Enclosure:

1/- Copy of interview with Mr. Kenji Kodama, as printed in FINANCE & COMMERCE, December 20, 1939.

800  
EC:fc

In

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quisenberry NARS, Date 12-18-75

-7-

In quintuplicate  
Copy to Embassy, Peiping.  
Copy to Embassy, Tokyo  
Copy to Embassy, Chungking

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

*FE*

**TELEGRAM RECEIVED**

FROM

*A* *Call*  
Division of  
EASTERN AFFAIRS  
JAN 25 1940  
*me*

HSM

GRAY

Hankow via N. R.

Dated January 24, 1940

Rec'd 7:05 a. m.

Secretary of State,  
Washington.

COPIES SENT TO  
O.N.I. AND M.I.D.

*efz*

January 24, 2 p. m.

My December 31, noon. Chinese winter offensive.

Latest reports suggest a notable infiltration of Chinese regulars and guerrillas into the so-called Japanese occupied areas. Fairly large Chinese forces now appear to be in close proximity to the Peiping-Hankow railroad between Siaokan and Sinyal and to the Yangtze north bank between Kichun and the Anhwei border. While there are rumors current of the Chinese having retaken several county seats there is still no indication of a counter-offensive having been launched.

Sent to Chungking. Repeated to Peiping, Shanghai.

SPIKER

PEG

793.94/15625

JAN 29 1940

FILED

F/FG

*h*

*FE*

**TELEGRAM RECEIVED**

FROM

*file*  
Division of  
FAR EASTERN AFFAIRS  
JAN 25 1940  
Department of State  
*W.A.*

HSM

GRAY

Chefoo via N. R.

Dated January 25, 1940

Rec'd 6:15 a. m.

Secretary of State,  
Washington.

COPIES SENT TO  
O.N.I. AND M.I.D.

*e.j.z.*

January 25, 9 a. m.

Japanese soldiers replaced the naval landing party forces as sentries at barrier posts in Chefoo on January 20th and it appears that control over the city of Chefoo is in the process of being transferred from the Japanese navy to the Japanese army forces, although no public press announcement on the whole has been made locally.

Sent to Peiping, to Chungking and to Tsingtao.

TAYLOR

RR

793.94/15626

JAN 1 1940

FILED

F/FG



DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Shulman, NARS, Date 12-18-75

opo

FE

**TELEGRAM RECEIVED**

HSM  
This telegram must be  
closely paraphrased  
before being communi-  
cated to anyone. (C).

FROM Tokyo

Dated January 25, 1940

Rec'd 5:30 a. m.

Tel to Tokyo drafted  
Jan 26, 1940.

Secretary of State,  
Washington.

A f/c  
JAN 25 1940  
Department of State  
WA

ADVISED BY POLITICAL RELATIONS  
MR. HORNBECK  
JAN 26 1940  
DEPARTMENT OF STATE

JAN 30 1940

43, January 25, 3 p. m.

STRICTLY CONFIDENTIAL.

793.94/15621a

Department's 25, January 19, 6 p. m., via Peiping.

One. We have been giving the most careful considera-  
tion to the Department's instructions in this case and  
have carefully reviewed our Government's position and  
expressed policy since the outbreak of the hostilities  
in 1937.

Two. We feel that it is in every way right and  
proper to call the attention of the Japanese Government  
to the importance of the Yunnan Railway as a means of  
conveying the personnel of American official establish-  
ments to and from Chungking and of the danger through  
bombing attacks to the lives of Americans lawfully engaged  
upon the conduct of official duties and of other American  
citizens. Such representations would not go beyond the  
scope of our representations in the case of the bombing  
of

793.94/15627

FEB 5 - 1940

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001

of the Hankow-Canton-Kowloon Railway in 1937 (Department's 180, August 30, 1937).

Three. The bombing of the Yunnan Railway does not (repeat not) appear to fall within the category of the many measures taken by the Japanese in various parts of China for the purpose of preempting commercial opportunities but was obviously undertaken by the Japanese for the primary if not the exclusive purpose of preventing military and other supplies from reaching their enemy in the undeclared war.

Four. It is certain in our view that the Japanese Government in reply to the Department's proposed representations will rest its case on the Japanese contention that the conflict with China confers on Japan the rights of a belligerent. Will our Government then be disposed to take a clear cut stand in opposition to such a contention? Having in mind paragraph five of the Department's telegram No. 3, January 3, 11 a. m., to Shanghai, this would not (repeat not) appear to be the case.

Five. In order to avoid meeting this problem, which seems to us to be of considerable importance, I respectfully raise the point whether it would not be preferable to confine our representations in the bombing of the Yunnan Railway to the considerations set forth in paragraph two of this telegram.

Six. Please instruct. Cipher text mailed to Peiping and Chungking.

CSB

GREW

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Austerman NARS, Date 12-18-75

PREPARING OFFICE  
WILL INDICATE WHETHER  
Collect (Full rate  
Day letter  
Night letter)  
Charge Department:  
Full rate  
Day letter  
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Charge to  
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612 TELEGRAM SENT

TO BE TRANSMITTED  
X CONFIDENTIAL CODE X  
NONCONFIDENTIAL CODE  
PARTAIR  
PLAIN  
"C"

Department of State

1940 JAN 30 PM 5 58

Washington, 30  
January 26, 1940.

6 pm

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

AMEMBASSY,

TOKYO (JAPAN).

This communication is confidential. It should not be disseminated or paraphrased to other personnel. C-1

41  
Your 43, January 25, 3 p.m.

One. Department has carefully examined the considerations raised in your telegram under reference and, with respect to paragraph three, observes for your information that, in connection with the reported ~~claim~~ <sup>assertion</sup> by the French Government of right to preempt certain cargo moving over the Haiphong-Yunnan railway, the American Ambassador at Paris, under instruction from the Department, brought to the attention of the French Government, inter alia, our specific interest in keeping open channels of trade such as the Haiphong-Yunnan railway. With reference to paragraph four of your telegram, while the Department considered it inadvisable, in connection with the subject then under discussion, for the American Consul General at Shanghai to discuss with the Japanese authorities the question whether the rules of war were applicable, the Department, in the

WA 793.94/15627

F/FG

Enciphered by \_\_\_\_\_

Sent by operator \_\_\_\_\_ M., \_\_\_\_\_, 19\_\_\_\_

7368

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

13.

PREPARING OFFICE  
WILL INDICATE WHETHER  
Collect  Full rate  
 Day letter  
 Night letter  
Charge Department:  
 Full rate  
 Day letter  
 Night letter

TELEGRAM SENT

TO BE TRANSMITTED  
CONFIDENTIAL CODE  
NONCONFIDENTIAL CODE  
PARTAIR  
PLAIN

Department of State

-2-

Washington,

Charge to \$ event of need therefor, would be prepared to oppose a claim by Japan to the rights of a belligerent in the present hostilities in China.

Two. Accordingly, unless you have in mind ~~other~~ <sup>other</sup> considerations than those set forth in your telegram under reference, the Department desires that you make an informal approach to the Japanese Foreign Office along the lines of the Department's 25, January 19, 6 p.m.

Please mail cipher text to Peiping and Chungking.

*Free*

793.94/15627

VAA  
FE:WAA:HES

*GA*  
*FE*  
*FILE*  
*1/27*  
*PAH*

OR ✓  
JAN 30 1940 PM  
*5:00*

Enciphered by \_\_\_\_\_

Sent by operator \_\_\_\_\_ M., \_\_\_\_\_, 19\_\_\_\_

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Swatow NARS, Date 12-18-75

CROSS-REFERENCE FILE

NOTE

SUBJECT Sino-Japanese conflict.

Report for month of November - submitted.

793.94/15628

For the original paper from which reference is taken

See #75  
(Despatch, telegram, instruction, letter, etc.)

Dated Dec. 8, 1939 From Swatow (Young)  
~~XX~~

File No. 893.00 P.R. Swatow/144

N

U. S. GOVERNMENT PRINTING OFFICE 1-1640

15628

(b) relations with Japan.

793.94  
Japanese military operations were much more active during November than they have been for several months. From the first part of the month Japanese Army units have been engaged in an effort to wipe out the Chinese guerrillas in the Chia Lou Shan (深敵山) areas northwest of Amoy (廈門). This area is rugged and hilly and has been the stronghold of guerrilla bands since the arrival of Japanese troops in June, 1939. Emerging from points in this locality, small bands have reportedly been successful in ambushing Japanese military

motor

-3-

motor trucks on the highway half-way between Swatow and Chaochowfu. On November 6th four trucks were destroyed and fourteen Japanese soldiers killed or injured.

During the middle of the month Japanese military units raided Ho Koi (意溪), a village just beyond Chaochowfu which served formerly as the end of the railway. The purpose of this raid was to enable the Japanese to obtain control of a large stock of lumber which was stored on the banks of the river outside Japanese controlled territory. It was reported that the raid was successful.

At the end of November reports received from members of the American Baptist Mission at Kit Yang (揭陽) indicate that air raids conducted by Japanese aerial units were more serious than has previously been the case. On November 28th four Japanese planes visited Kit Yang and dropped eighteen bombs in the center of the city with an estimated loss of life of seventy-five and 117 wounded. Of this number about fifty wounded persons were treated at the American Baptist Mission Hospital.

On the following day three planes came to Kit Yang and dropped an estimated twelve bombs principally in the south-eastern and south-western sections of the city. From this bombing it is reported that fifteen were killed and thirty were wounded. There was no bombing in the north-eastern section of the city nor near the North Gate where the American Baptist Mission is located, so American lives and property were not endangered. The American missionaries resident in Kit Yang report that most of the bombs struck private dwellings, but one large department store and

several

-4-

several shops on the main street were demolished. As a result of the two days bombings the American hospital had between seventy and eighty cases.

A later report from the Chinese pastor of the American Baptist Mission chapel at Ki Tu (棉湖), about twenty miles south-west of Kit Yang, states that on the afternoon of November 28th a Japanese plane bombed the chapel apparently making a direct hit and demolishing the building at an estimated loss of \$2,500. There are no American nationals resident in Ki Tu, nor is there any indication whether or not the property in question was marked with American flags. More complete information regarding this incident is being obtained.

The first instance in which the Japanese military have attempted to increase the area under their control since their original entry in June, 1959, occurred toward the end of the month with the departure from Ching Bai (澄海) of those disaffected Chinese troops whose allegiance had been supposedly won by WANG Ching-wai. These troops encountered some opposition in the vicinity of the village of Nan Yang (南洋) a few miles north-east of Ching Bai, but bombing by Japanese planes proved effective so that the forward march of the Chinese soldiers was not again interfered with all the way to the Fukien border. Reports from the American Baptist mission representatives in Ung Kung (黄岗), the last town of any size to be reached before passing into Fukien Province, show that Chinese local militia apparently retreated before the approach of these "Wang Ching-wai troops" without any opposition. It was also reported that

there



-8-

there has been no damage or looting along the line of march, but, on the contrary, the troops were well-behaved and well disciplined. There were indications that their steady advance might be opposed once they had passed over the line into Fukien Province.

On the 16th of November the Japanese Consulate in Swatow was formally opened with a reception attended by all the high ranking Japanese military officials as well as members of the consular corps and foreign business men. As a matter of fact there has been a Japanese consular officer in Swatow ever since the arrival of Japanese armed forces in June, but his contention has always been that his function is primarily that of "Liaison Officer" between the Japanese military and the local foreign community. Now that the consulate has been opened officially no change is seen in the work of the Japanese Consul.

The former Chinese aviation field, which has been devoted to the growing of vegetables since the outbreak of hostilities, has been completely reconstructed by the Japanese military and there are now reportedly twelve Army air planes stationed there.

CROSS-REFERENCE FILE

NOTE

SUBJECT Sino-Japanese conflict.

Military operations during month of November, 1939 reported.

793.94/15629

For the original paper from which reference is taken

See #70  
(Despatch, telegram, instruction, letter, etc.)

Dated Dec. 6, 1939 ~~From~~ } Hankow (Spiker)

File No. 893.00 P.R. Hankow/149

N

15629 -

B. Relations with other countries:

1. Japan.

a. Course of hostilities.

793.94  
The only military operation of any importance in Central China was an attempt by the Japanese to clear the triangle between the Han and the Yangtze Rivers southwest of Hankow. The Chinese explanation of this operation was that in their two successful

air

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I Telegram No. 273, November 28, 4 p.m.; despatch No. 66, November 29, 1939.

Political report  
November 1939  
Hankow, China

-4-

air raids on Hankow in October the Chinese planes had been able to approach Hankow over this triangle without the Japanese being made aware of their presence and the Japanese object was to gain possession of suitable observation points in this area, such as the town of Mienyang (沔陽), in order to provide against further raids. The Japanese failed to establish themselves in any important new position; the rate of Japanese casualties appeared to be high.<sup>1</sup>

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

CROSS-REFERENCE FILE

NOTE

SUBJECT Sino-Japanese conflict.

Japanese invasion of Kwangsi reported.

793.94/15630

For the original paper from which reference is taken

See #-----  
(Despatch, telegram, instruction, letter, etc.)

Dated Dec. 12, 1939 From } Canton (Myers)  
Box }

File No. 893.00 P.R. Canton/142-----

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U. S. GOVERNMENT PRINTING OFFICE 1-1540

15630

- 3 -

(a) Japanese Invasion of Kwangsi:

793.94  
On November 15 Japanese forces estimated at two divisions, composed in part of troops withdrawn from the Canton area and other occupied sections of South China, landed on the Kwangtung coast near Yanchow, west of Pakhoi. Instead of occupying Pakhoi, as was expected (and had been reported), they rapidly pushed northward into Kwangsi and on November 24 entered Nanning. At the end of the month it was reported that Japanese reinforcements were arriving in the area and that Japanese columns were pressing northward on the Nanning-Yoming (武鳴) highway and northeastward via the road to Pinyang (賓陽).\*

Nanning is situated on an important highway to Indo-China over which much cargo including military supplies has <sup>hitherto</sup> been moved, and was also to have been connected with the Indo-China border by a railroad, much work on which has already been done. It is understood that other roads which have been built or improved, particularly since the occupation of Canton by the Japanese, are available to the Chinese for the movement of cargo between the southwestern provinces and Indo-China but with the Japanese established at Nanning these are much more vulnerable to air attacks than formerly.

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quisenberry NARS, Date 12-18-75

CROSS-REFERENCE FILE

NOTE

SUBJECT Sino-Japanese relations.

Report on same during month of November, 1939.

793.94 / 15631

For the original paper from which reference is taken

See #2406 \_\_\_\_\_  
(Despatch, telegram, instruction, letter, etc.)

Dated Dec. 18, 1939 \_\_\_\_\_  
From } China (Johnson)  
ToX }

File No. 893.00 P.R./164 \_\_\_\_\_

N

U. S. GOVERNMENT PRINTING OFFICE 1-1940

15631

793.94  
(p. 47)

a. General:

Japanese military forces were active during the month; Nanning was captured November 24, but elsewhere the Japanese operations were not so successful. The Japanese were again compelled to postpone the establishment of the proposed new central government for the occupied areas under Wang Ching-wei. Japanese economic and financial policies in North China, modelled after those adopted in Manchuria, were not meeting with complete success.

b. Japanese attack on Nanning:

The Japanese attack on Nanning was made by a force reported to comprise two divisions who were transported to the southwestern Kwangtung coast by a Japanese flotilla of some 60 vessels, including warships. One large force landed on the west shore of Chinchow (Lungau) Bay on the morning of November 15 and struck west, capturing Fangcheng, a few miles away, the same evening. A second large force, after being held up for a day by bad weather, landed on the east shore of Chinchow Bay November 16, and, in conjunction with units which sailed up the Yuhung River, occupied Yachow (Chinhsien) the next day. A third force of 3,000 marines landed southeast of Takhoi November 15, but these men did not participate in the attack on Nanning and their landing was probably intended to divert Chinese attention and prevent reinforcements

21. Mr. H. G. W. Woodhead in Oriental Affairs, Shanghai, for December 1939.



- 10 -

reinforcements from being sent to the Chinchow Bay area. 22

The main Japanese forces drove on rapidly from Fangcheng and Yamohow, captured Tasse November 18, and continued their advance along the highway from Yamohow to Kwangsi. The bridges and parts of the road on that highway had been destroyed by the Chinese many months previously, but the resistance offered by the Chinese provincial troops was so ineffective that the Japanese attacking columns, totalling about 20,000 men and strongly supported by airplanes, were able to pass through the mountains along the Kwangtung-Kwangsi border without such difficulty; the Japanese then crossed the Yu River and their vanguards entered Nanning November 24, apparently without much opposition. Following the capture of Nanning, Japanese detachments were sent out in several directions and at the end of the month, according to Japanese reports, had reached positions from 10 to 20 miles north, east and west of the city. A Chinese military communique November 28 stated that Nanning had fallen November 26, following which the Chinese troops had withdrawn to positions north and northwest of the city; the communique added that Chinese forces along the highway from Nanning continued to harass the Japanese rear. 23

There was much speculation in regard to the rapidity with which the Japanese were able to capture such an important point as Nanning and the feebleness of the Chinese resist-

ends

22. Military Attache's Situation Report no. 9829, November 27, 1939.
23. Reuters, Chungking, November 28.

- 11 -

ance, particularly as the Chinese military authorities were well aware that the attack was impending. The most logical explanation advanced was that the provincial troops charged with the defense of the region were overconfident of their ability to resist a Japanese attack through the mountains, and also that General Chiang Kai-shek, although probably aware of the ineffectiveness of the provincial troops, hesitated to despatch reinforcements for fear of raising an outcry against domination by Chungking. There were indications late in November that<sup>24</sup> Central Government troops were being sent to Kwangsi from Hunan and it was expected by observers in Chungking that a counter-attack would be launched against the Japanese in the near future.

The capture of Nanning was a serious, although not vital blow to the Chinese. The Japanese advance severed one of the most important Chinese lines of communications, along which munitions and other military supplies were transported from French Indochina to Kweilin and other Chinese concentration centers; furthermore, the Japanese occupation of Nanning gave them an advance air base from which bombing operations in Yunnan and elsewhere could be carried out. Reports from Chungking<sup>25</sup> indicated, however, that the Chinese military authorities were not unduly perturbed at the loss of Nanning and seemed confident that the ground lost could be retaken. It was expected that construction would be pushed on a road to connect French Indochina with points in Kwangsi west of Nanning, but,

unless

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24. Radio from Assistant Naval Attaché, Chungking, December 5.  
25. Embassy's (Chungking) 614, November 29, 7 p.m.

- 12 -

unless the Chinese recapture Manning, Japanese planes based on that city can greatly impede traffic on the proposed new roads.

c. Miscellaneous operations:

During the last week in October Japanese forces in southwestern Shansi advanced west in four columns from bases on or near the Tungpu Railway, in an attempt to clear the area between the railway and the Yellow River of Chinese troops. The operations met with initial success and Chihliou, Shihhsien, Fanning, Fuhsien, Kihchien and Hsiangning were captured. Early in November, however, the Chinese commenced counter-attacks and by November 16 claimed that the Japanese were in general retreat and that the last four of the places mentioned above had been recaptured. Shihhsien, apparently still held by the Japanese, was reportedly being vigorously attacked by Chinese troops. The southeastern Shansi area was fairly quiet during the month.

26  
According to neutral reports from Hankow, a Japanese effort to clear the triangle in eastern Szech between the Han and Yangtze rivers and occupy Mienyang failed with considerable loss to the Japanese. On October 30 a Japanese brigade advanced west from Hanyang, occupied Mientaochen the next day and Mienyang and Fengkow November 3; the Chinese soon launched a counter-attack from Chienli and claimed the recapture of Mienyang November 14. Considerable fighting took place during the month north and west of Mienyang, on the Peiping-Hankow Railway, but without decisive results.

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26. Military Attaché's Situation Report no. 9829, November 29, 1939.  
27. Hankow's December 2, 10 a.m. to Embassy (Peiping) only (monthly summary).

- 13 -

In southwestern Hopei Japanese forces commenced November 6 a drive to clear the mountainous area immediately west of Paotingfu of guerrillas who have constituted a threat to Paotingfu and the Peiping-Hankow Railway. Japanese column of 3,000 men moved south from Laiyuan toward Yinfang, but met with stubborn resistance and suffered heavy casualties; a relieving column from Laiyuan likewise encountered serious resistance and suffered numerous casualties including Lieutenant General Abe who was killed by a trench mortar. The Japanese then sent two regiments from Tanghsien and a cavalry detachment from Yih sien to relieve the pressure, but these groups were also checked before reaching Yinfang.<sup>28</sup> Further to the west, the Japanese claimed October 25 the capture of Fouping, a guerrilla base.

During the latter part of November, Japanese forces in the Canton area carried out minor offensives, probably designed to consolidate their positions and counteract Chinese military moves.<sup>29</sup>

d. Aerial activities:

The Japanese air force continued very active during November, rendering effective assistance in the attack on Hanning and carrying out raids in various areas behind the Chinese lines. According to Japanese reports, important raids were made on Chengtu, Szechwan (November 4); Nanyang, Honan (November 4 and 29); points in Kiangsi, Kwangsi and Kwangtung (November 4, 5, 7 and more or less daily thereafter); Kaoyu, northern Kiangsu (November 11); Wanchow, Kwangtung

28. Military Attaché's Situation Report no. 9829, November 29, 1939.
29. Canton's December 4, 10 a.m., to Embassy (Peiping) only (monthly summary).
30. Domei reports during November.

- 14 -

Kwangtung (November 15 and 16); Chungking, Szechwan (November 18 - night); Nanning, Kwangsi (November 19, 20 and daily thereafter until the capture of the city November 24); Cian, Shensi (November 25, 27 and 30); and Lanchow, Kansu (November 28 and 30 - night raids). The Japanese bombings of Nanning caused particularly heavy damage.

The Japanese air raids on Lanchow, on the so-called "Red Route" of communications, were the first made on that city since February, when, it will be recalled, nine or more Japanese bombers were shot down by Chinese fighting planes, reportedly manned by Soviet pilots. The distance from the Japanese air base, probably at Funcheng, Shansi, to Lanchow and return is beyond the range of pursuit planes, and probably for this reason the recent Japanese raids on Lanchow were made under cover of moonlight. The raids, however, were ineffective, according to reliable sources.  
31

The activities of the Chinese air force were apparently confined to generally ineffective defense work against Japanese raids in Szechwan. The Chinese claimed<sup>32</sup> that three Japanese bombers were shot down during the raid on Chengtu November 4.

9. Military activities in the occupied areas:

Japanese forces engaged in extensive "mopping up" operations during the month against Chinese regular troops and organized guerrillas in the Hangchow-Huechow area and the area west of Lake Tai in Kiangsu. Japanese reports claimed the usual successes, but foreign sources reported

that

31. Radio from Assistant Naval Attaché, Chungking, December 6.  
32. Reuters, Chungking, November 6.

- 15 -

that Japanese attacks launched across Lake Tai were repulsed with considerable losses. A reliable observer who recently visited the area in southern Kiangsu west of Lake Tai reported that three full divisions of Central Government troops - totalling about 25,000 men and equipped with light guns, machine-guns and rifles - are operating in this region. Chinese guerrilla units continued to harass Japanese lines of communication and succeeded in mining sections of the Shanghai-Hangchow and Shanghai-Nanking railways and in damaging some rolling stock. Japanese guards along the two railways were considerably increased.<sup>33</sup>

Japanese troops and Japanese controlled Chinese troops made numerous forays into guerrilla territory in the Laiyang region of the Chantung promontory, but the military situation remained unchanged.<sup>34</sup> Fighting between Japanese and guerrillas was reported near Ichowfu, western Chantung. According to foreign reports, Liu Kwei-tang, notorious Chantung bandit chief who has been "cooperating" with the Japanese, turned over to the Chinese during the month, taking with him some 5,000 men with their Japanese arms and equipment; this band was reported to have joined Chinese military-guerrilla forces in the mountainous region of southern Chantung east of Tenghsien.<sup>35</sup>

Guerrillas were reportedly active during the month south

33. Shanghai's despatch to Embassy (Peiping) no. 2005, December 6, 1939 - "Political Report for November 1939".
34. Nanking's December 1, 12 noon to Embassy (Peiping) only (monthly summary).
35. Chefoo's December 2, 12 noon to Embassy (Peiping) only (monthly summary).
36. Tsinan's November 17, 4 p.m., to Peiping (repeated to the Department).

- 16 -

south of the Yellow River in northern Honan.

According to reports from Hankow, there were increasing indications of a serious attempt by the Chinese Government to discipline and control guerrilla activities.<sup>37</sup>

f. Political activities in the occupied areas:

The establishment of the proposed central government for the occupied areas under Wang Ching-wei was again postponed. The postponement was attributed by informed observers at Shanghai to (1) the continued opposition displayed by Wang Keh-min of the "Provisional Government" and also by some members of the "Reformed Government", particularly as regards the proposed distribution of important offices, (2) divergence of views among Japanese military and civil leaders in regard to many important questions affecting the new government, such as the withdrawal of Japanese troops, economic matters and the degree of authority and independence to be granted the new government, and (3) the possibility that Wang Ching-wei was actually adopting a somewhat more independent attitude vis-a-vis the Japanese.<sup>38</sup>

In a newspaper interview November 20, Wang Ching-wei stated that the date of the establishment of the new government could not be fixed because the elaboration of acceptable peace terms with Japan required considerable time, and an agreement on peace terms must precede the establishment of the new regime; he admitted that great difficulty attended the implementation of his plans, but hoped that, in cooperation with Japan, these difficulties would be overcome and an independent Chinese government established.<sup>39</sup>

The

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37. Hankow's December 2, 10 a.m., to Embassy (Peiping) only. (monthly summary)  
38. Shanghai's despatch to Embassy (Peiping) no. 2065, December 6, 1939 - "Political Report for November 1939".  
39. Shanghai's 1036, November 24, 5 p.m.

- 17 -

The publications controlled by Wang Ching-wei in Shanghai adopted a more independent tone during the month and stressed his desire to establish a truly independent and sovereign government. It was felt by some observers that Wang had been influenced by international developments apparently unfavorable to Japan, including the firm American position exemplified by Ambassador Drew's speech, to adopt a stronger and more independent attitude toward Japan; others believed that Wang's actions were dictated by the Japanese who wished to make it appear that he was functioning independently with a view to impressing Chinese public opinion favorably; still others thought that his actions were intended for purposes of bargaining with the Japanese. Japanese officials in Shanghai admitted that difficulties confronted the establishment of the new regime, but appeared to be confident that it would be inaugurated in the near future.

The American Consul General at Hankow reported that "seven nervous and unimportant Chinese were presented by the Japanese Army and Navy and Special Service Sections to an indifferent public as the 'Hupeh Provincial Government' on November 5 at a ceremony in Wuchang attended by the Italian and no other foreign consuls".

The seventh meeting of the "United Council" of the Peiping and Hankow regimes was again postponed.



016

TELEGRAM RECEIVED

DIVISION OF  
EUROPEAN AFFAIRS  
4AN 30  
DEPARTMENT OF STATE

~~FK~~  
~~EH~~  
~~...~~

HSM  
This telegram must be  
closely paraphrased  
before being communi-  
cated to anyone. (C).

FROM Paris  
Dated January 26, 1940  
Rec'd 7:35 p. m.

Secretary of State,  
Washington.

*file c*  
Division of  
EUROPEAN AFFAIRS  
4AN 27 1940  
Department of State

RECEIVED  
DEPARTMENT OF STATE  
JAN 27 1940

134, January 26, 6 p. m. (SECTION ONE).

STRICTLY CONFIDENTIAL.  
*793.94/15606*  
My 78, January 15, 7 p. m.

Chauvel gave me to read today the instruction  
which had been sent after my departure for Rome on  
January 18th to the French Ambassador in Tokyo. He  
said that St. Quentin had read this instruction to  
Mr. Hornbeck and had had two conversations with Mr.  
Hornbeck on this subject. He wished to add that Leger  
had repeated the substance of this instruction to the  
Japanese Ambassador in Paris with the greatest possible  
emphasis. He added that the Japanese Ambassador had  
taken the communication calmly and with good humor.  
He did not know whether or not the French Ambassador in  
Tokyo had had an opportunity yet to carry out the instruc-  
tion in the course of a visit to the new Japanese Foreign  
Minister.

Chauvel

793.94/15632

FEB 1 1940

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F/FG

017

hsm -2- No. 134, January 26, 6 p.m., from Paris (Section 1)

Chauvel stated that he had received a communication from Japan to the effect that Ciano's extraordinarily indecent communication to Wang Ching-wei had been paid for by the promise to Italy of a participation in Japanese enterprises in the area of China which would be controlled ostensibly by the Wang Ching-wei Government. He was not certain that this information was accurate but believed it to be.

BULLITT

RR

15

### TELEGRAM RECEIVED

RFP

This telegram must be  
closely paraphrased be-  
fore being communicated **FROM**  
to anyone. (C)

Paris

Dated January 26, 1940

Rec'd 6:35 p.m.

Secretary of State

Washington

134, January 26, 6 p.m. (SECTION TWO)

In this connection I desire to express the hope that if before Ciano's telegram to Wang Ching-wei there was any chance of recognition by the United States of the King of Italy as Emperor of Ethiopia and King of Albania such possibility no longer exists. I trust also that any credits outstanding from agencies of the American Government to the Italian Government or its agencies for purchases of cotton or other commodities will be called at once.

In conclusion Chauvel said that he was most disturbed by the reports which had been reaching him from Japan with regard to anti-English feeling created by the stopping of the steamship ASAMA MARU by the British. He feared that this action of the British Government might afford the Japanese an excuse to demand the immediate withdrawal of those French and British troops which remain in China.

(END OF MESSAGE)

BULLITT

RR

*TE*

**TELEGRAM RECEIVED**

HSM A portion of this telegram must be closely paraphrased before being communicated to anyone. (Br.)

Shanghai via N. R.

FROM Dated January 27, 1940

Rec'd 7 a. m.

*Shows to ONI & MID*  
*file*  
Division of  
AFFAIRS  
JAN 27 1940  
*M*

Secretary of State,  
Washington.

77, January 27, noon.

(GRAY) Military situation.

Launching operations early in the morning of January 22, three Japanese units crossed the Chientang River in the vicinity of Hangchow and occupied the two railway points, Siaoshan and Linpu on January 22 and 23 respectively. According to a Chungking Reuter report the Japanese forces then separated into two columns and one of which advanced eastward toward Ningpo has reached Shaoshing, the other proceeding southward from Linpu. A Domei report of January 25 from Siaoshan contrarywise indicated that the drive had come to a temporary halt as Japanese commanders announced that they had achieved their objectives. (END GRAY).

The primary Japanese objective would seem to be attainment of a position commanding shore opposite Hangchow but a current Fleet agency report indicates that fighting is now in progress near Shaoshing and it would appear that

the

793.94/15633

JAN 27 1940  
F/G

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. S. [unclear] NARS, Date 12-18-75

hsm -2- No. 77, January 27, noon, from Shanghai

the ultimate Japanese objective may be to sever communi-  
cations between the Chinese controlled port of Ningpo  
and the hinterland.

Repeated to Peiping, Chungking, Hankow. Code text  
to Tokyo by air mail.

GAUSS

PEG

*FE*

**TELEGRAM RECEIVED**

HR

GRAY

Chefoo via N.R.

FROM

Dated January 27, 1940

Rec'd 8:53 a.m.

*1072  
893.01 chefoo*

Secretary of State,  
Washington.

*file*  
Division of  
FAR EASTERN AFFAIRS  
JAN 28 1940  
*me*

*egz*

January 27, noon.  
(January 25, 9 a.m. ?) *15626*  
My November 25, noon.

The following is a translation of a notification sent January 26th to its subordinate offices by the Chefoo Municipal Government and published in the local Chinese press this morning:

"This office has received a communication from Commandant Wu of the Imperial Army stating that effective January 20, 1940 the garrison duty in Chefoo and vicinity as well as the preservation of peace and order in the district, formerly undertaken by the naval forces, will hereafter be carried out by the military forces."

The East Broadway barrier post near the China Inland Mission school and well within the city was removed yesterday afternoon. Americans and others should now seldom have occasion to use barrier passes.

Repeated to Chungking and Tsingtao.

TAYLOR

CSB

793.94/15634

F/G

FILED  
JAN 1 1940

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Shulman NARS, Date 12-18-75

018

February 2 1940

*U DHK*  
*FE*

DEPARTMENT OF STATE  
RECEIVED  
DEPARTMENT OF STATE  
**Memorandum of Conversation**  
ADVISER ON POLITICAL RELATIONS  
1940 JAN 30 AM 10 57

DATE: January 20, 1940

SUBJECT: Japanese Bombing of the Yunnan Railway  
COMMUNICATIONS  
AND RECORDS

PARTICIPANTS: Mr. Jacques Truelle, Counselor,  
French Embassy,

and  
Mr. Hornbeck

COPIES TO:

SECRETARY OF STATE  
JAN 29 1940  
NOTED

ADVISER ON POLITICAL RELATIONS  
MR. HORNBECK  
JAN 29 1940  
DEPARTMENT OF STATE

Division of  
EASTERN AFFAIRS  
JAN 31 1940  
Department of State

*793.94*  
*no*  
*892.2d*

*Copies sent Shanghai  
Paris, Peiping*

*Chengde, Chungking, Tokyo*  
*Feb. 2*

793.94/15635

The French Ambassador called on me on January 18 and read to me a number of telegrams which he had received from his Foreign Office. The most important of these was a telegram giving an account of the controversy between the Japanese and the French Governments over the question of the Japanese bombing of the Yunnan railway: the French Government was protesting against the bombing, and the Japanese Government was demanding that the railway be closed to the carrying of goods into China. ---

This morning Mr. Truelle called on me. Mr. Truelle said that his Ambassador was in New York and that the Embassy had instructions to inform the State Department of the contents of a telegram of which he would now inform me. He then read in translation the telegram giving an

FEB 9 1940

EXT 110

F/FG/15635

an account of the reply which the French Government is making to the Japanese. The French Government discussed argumentation which the Japanese Government had presented in which there appeared reference to the existence of a "state of war" between Japan and China. The French Government said that, in as much as the Japanese Government had deliberately refrained from declaring war or a state of war, the French Government was under no obligation to Japan on the score of a belligerent status and that the French Government's obligations to China were those of the Covenant of the League and none inconsistent therewith. It emphasized the importance of the railway as a channel of international trade with China. The communication was throughout strong in tone, typically French in logical exposition, and unyielding in substance.

Mr. Truelle asked how I "liked" it. I replied that it sounded to me very interesting and that I was glad to know that the French Government took the position indicated. I asked whether the communication had been made to the Japanese Foreign Office in Tokyo or to the Japanese Ambassador in Paris and whether it had been made in writing or made orally. Mr. Truelle said that the telegram was a record of what had been spoken orally to the Japanese both in Tokyo and in Paris. He volunteered to send me a summary. I thanked him and said that we would be very glad to have a summary.

There



020

-3-

There followed a brief conversation regarding the situation in the Far East, in the course of which I made the observation that, as Mr. Welles had indicated to the French Ambassador some time ago, we do not share the alarm which has been felt in some quarters over the possibility or the potentialities of a conceivable Japanese-Russian rapprochement nor do we regard as at all likely in the near future a conceivable operation by Japan against the Dutch East Indies.

*SHAT*

PA/H:SKH:HES

021

**TELEGRAM RECEIVED**

AC  
This telegram must be \_\_\_\_\_ Tokyo  
closely paraphrased be-  
fore being communicated  
to anyone. (B)

Dated January 28, 1940

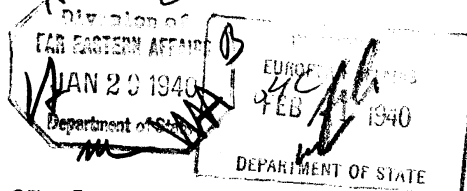
FROM  
Rec'd 10:42 a.m.

Secretary of State

Washington

58, January 28, 7 p.m.

Department's 36, January 27, 3 p.m.



One. The French Counsellor informed me today that on January 25 he discussed informally with the Foreign Office the reply which the French Government recently made to the Japanese Ambassador at Paris. A summary of this reply has been made available to me by my French colleague.

Two. The official with whom Baron Fain discussed the matter stated that the reply of the Japanese Government had not yet been formulated and that a committee had been established to study the question. Speaking "quite personally" the official indicated that the Japanese reply might be expected to bring out the following points: (a) In reference to the French contention that Japan is not qualified to claim belligerent rights, the Japanese Government will assert that a de facto war is in progress and that therefore belligerent rights should accrue to Japan; (b) that the Chungking Government is no longer a national

793.94/15636

FEB 5 1940

RECORDED

F/FG

- 2 - #58, January 28, 7 p.m. from Tokyo

022

a national government but has been reduced to the status of a local regime.

Three. In the opinion of Baron Fain the Japanese are much concerned over the possibility of a rupture in the commercial relations with France, which would include not only an embargo on French exports to Japan but the closing of French markets to Japanese goods, and over the unwillingness of the French authorities to grant permission for Japanese commercial planes to fly over Indo China en route eastwards.

Cipher text by mail to Chungking and Peiping.

GREW

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quastler NARS, Date 12-18-75

Ambassade  
de la République Française  
aux États-Unis.

*Copies sent to Shanghai, Paris, Peking, Washington, & Tokyo, January 22, 1940.*

*Rehd*  
ADVISED ON POLITICAL RELATIONS  
MR. HORNBECK  
JAN 24 1940  
DEPARTMENT OF STATE  
*01/11*  
27 1940

DEPARTMENT OF STATE  
RECEIVED  
JAN 29 1940  
DIVISION OF  
COMMUNICATIONS AND RECORDS

U.S. DEPARTMENT OF STATE  
JAN 21 1940  
Department of State

My dear Mr. Hornbeck,

*with reference to your conversation with*  
h. Truelle, I send you herewith a note in which I  
sum up the various observations which the French  
Government has made in reply to the aide-memoire of  
the Japanese Government concerning the bombing of  
the Yunnan railway./.

*I am, with best personal regards,*

Yours sincerely,

*Edouard de la Motte*

*793.94  
note  
873.24*

793.94 / 15637

Mr. Stanley K. Hornbeck,  
Advisor on Political Relations,  
State Department,  
Washington,  
D. C.

F / FGR 37

1) On October 1937 the French Government took a one-sided decision which can be altered at any moment. This decision was taken in view of a political balance which the French Government had wanted to reserve. Successive initiatives taken by Japan have completely destroyed this political balance.

2) The Japanese Government which carefully avoided declaring war to China is particularly unqualified to invoke a state of war between China and Japan.

Therefore no legal obligation binds the French Government to Japan as to the transit of war material through Indochina.

3) The action of the Japanese Government in Southern China, Hainan, the Spratlys and the Paracel<sup>s</sup> Islands has further released the French Government from any moral obligation which, through a sense of loyalty, it had been induced to acknowledge.

As a matter of fact, in the sino-japanese conflict, the French Government has no other engagements but those which it must fulfill towards China as a member of the League of Nations. No legal basis being found to the Japanese pro-memoria, it must be appreciated on a solely political aspect. In this pro-memoria the Japanese Government requests that the French Government, in order to maintain neutrality, should close the Indochinese frontier, not only

....

for the transit of arms and munitions but for any transit. If the French Government accepted those proposals, the Japanese Government would be ready to negotiate a settlement of Franco-Japanese relations. If the French Government denies this solution the bombing of the railway will continue and the Japanese Government would reject all responsibilities as to the damages caused by its aviation.

4) The French Government would be compelled, if the frontier were closed, to stop all the exportations towards Japan of ore, nickel, rice and other products.

5) The French Government considers itself not justified to examine under any pressure the closing of the only normal road which remains open for international traffic between free China and the rest of the world.

6) The French Government may have the most serious doubts on the value of the friendly declarations of the Minister for Foreign Affairs when, according to his own declaration, this Minister was only informed on January 5th of such an important event as the bombing of the Yunnan railway which took place on December 30th.

7) For all these reasons the French Government is compelled to defer examining questions now pending, such as the aerial traffic over Indochina through the line Tokyo-Bangkok and the modifications of the commercial agreement concluded last June which was suggested by the Japanese Ambassador./.

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Quate NARS, Date 12-18-75

January 27 1940

My dear Mr. Ambassador:

We appreciate and I thank you for your thoughtful  
courtesy in making available to us, with your letter  
of January 22, the note in which you sum up the ob-  
servations which the French Government made in reply  
to the aide-mémoire of the Japanese Government con-  
cerning the bombing of the Yunnan railway.

With highest esteem and kindest regards, I am  
Yours sincerely,

*SKH*  
Stanley K. Hornbeck  
Adviser on Political Relations

His Excellency  
Count de Saint-Quentin,  
Ambassador of the French Republic.



PA/H:SKH:ZMK  
1-24-40

FE *SKH* ✓  
GR  
JAN 27 1940 PM

793.94/15637

F/FG

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Shulman NARS, Date 12-18-75

February 2 1940

CONFIDENTIAL - STAFF USE ONLY

No. 1945

To the American Ambassador,  
Paris.

The Secretary of State encloses for the confidential information of the American Ambassador a copy of a memorandum of a conversation of January 20, 1940 between the Counselor of the French Embassy and an officer of the Department and a copy of an informal note of January 22 with its enclosure, from the French Ambassador, in regard to bombing of the Yunnan railway by the Japanese.

793.94/15637

Enclosures:

- 1. Memorandum of conversation between Mr. Jacques Truelle and Mr. Hornbeck, January 20.
- 2. From French Embassy, January 22.

793.94/15637

Field distribution: Paris, Peiping (Chungking), Tokyo, Shanghai.

A true copy of the signed original.

EGC.  
FE:EGC:MHP  
1/21/40  
*FE*  
*1/21/40*

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FEB 1 1940 PM

*MWH*

F/FG



DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Glavin NARS, Date 12-18-75

February 2 1940

CONFIDENTIAL - STAFF USE ONLY

No. 1890

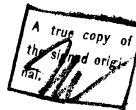
To the American Ambassador,  
Tokyo.

The Secretary of State encloses for the confidential information of the American Ambassador a copy of a memorandum of a conversation of January 20, 1940 between the Counselor of the French Embassy and an officer of the Department and a copy of an informal note of January 22 with its enclosure, from the French Ambassador, in regard to bombing of the Yunnan railway by the Japanese.

793.94/15637

Enclosures:

1. Memorandum of conversation between Mr. Jacques Truelle and Mr. Hornbeck, January 20.
2. From French Embassy, January 22.



793.94/15637

Field distribution: Tokyo, Peiping (Chungking), Paris, Shanghai.

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1/31/40

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M.M.H.

F/FG

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Hueston NARS, Date 12-18-75

February 2 1940

CONFIDENTIAL - STAFF USE ONLY

No. 768

To the American Ambassador,  
Peiping.

The Secretary of State encloses for the confidential information of the American Ambassador a copy of a memorandum of a conversation of January 20, 1940 between the Counselor of the French Embassy and an officer of the Department and a copy of an informal note of January 22 with its enclosure, from the French Ambassador, in regard to bombing of the Yunnan railway by the Japanese.

793.94/15637

Enclosures:

1. Memorandum of conversation between Mr. Jacques Truelle and Mr. Hornbeck, January 20.
2. From French Embassy, January 22.

793.94/15637

Field distribution: Peiping (Chungking), Tokyo, Paris, Shanghai.

Copy to Chungking.

o.g.c.  
FE:EGC:MHP  
1/31/40  
JMB  
FE  
m.m/d.

A true copy of the signed original  
M

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FEB 1 1940 PM

M M H

F/EG

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

February 2 1940

CONFIDENTIAL - STAFF USE ONLY

To the American Consul General,  
Shanghai, China.

The Secretary of State encloses for the confidential information of the American Consul General a copy of a memorandum of a conversation of January 20, 1940 between the Counselor of the French Embassy and an officer of the Department and a copy of an informal note of January 22 with its enclosure, from the French Ambassador, in regard to bombing of the Yunnan railway by the Japanese.

793.94/15.57

Enclosures:

1. Memorandum of conversation between Mr. Jacques Truelle and Mr. Hornbeck, January 20.
2. From French Embassy, January 22.

793.94/15637

Field distribution: Shanghai, Paris, Peiping (Chungking), Tokyo.

A true copy of the signed original

F/FG

CR ✓  
FEB 1 1940 PM

*M M H*

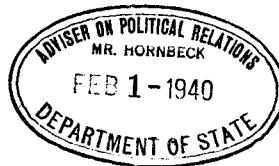
*299*  
FE:EGC;MHP *JEP* FE  
*m. m. d.*  
1/31/40

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quastler NARS, Date 12-18-75

*JL*

**TELEGRAM RECEIVED**

FROM



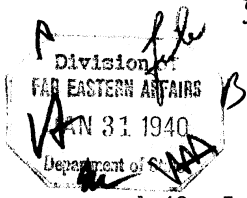
JR  
A portion of this telegram  
must be closely paraphrased  
before being communicated  
to anyone. (C)

Tokyo

Dated January 31, 1940

Rec'd 7:19 a.m.

Secretary of State,  
Washington.



*Tel. to Paris  
Feb. 2.*

67, January 31, 6 p.m.  
*793.94/15621 a*  
Department's 25, January 19, 6 p.m., and 40, January  
30, 5 p.m. (GRAY) Bombing of the Yunnan railway.

A pro memoria in the sense of the Department's  
instructions was left at the Foreign Office today.  
Cipher text to Chungking and Peiping by mail.  
(END GRAY)

793.94/15638

GREW

KLP

FEB 5 - 1940  
FILED

F/FG

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Quastler NARS, Date 12-18-75

793.94

## CROSS-REFERENCE FILE

### NOTE

#### SUBJECT

Imminent establishment of Wang Ching Wei puppet government:  
resultant position, neutrals vis-a-vis Japan.

Comments of French Ambassador on-, set forth, including men-  
tion of his statement to Chinese authorities that French  
policy is unchanged, but that Japanese pressure might  
force concessions. Writer's impression is that both  
France and Britain, more vulnerable than U.S., are reluc-  
tant to follow American policy, as exemplified by denuncia-  
tion of Treaty of 1911 with Japan.

793.94 / 15639

For the original paper from which reference is taken

See Tel #52; 3pm  
(Despatch, telegram, instruction, letter, etc.)

Dated Jan 29, 1940 From China (Chungking)  
To

File No. 893.01/612

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Hunter NARS, Date 12-18-75

DEPARTMENT OF STATE  
DIVISION OF FAR EASTERN AFFAIRS  
February 1, 1940

Hong Kong's 42 January 31, 3 p.m

The fact that Sama is located on the extreme southern coast of Hainan lends added significance to the report of the construction of a Japanese submarine base there.

*HP*  
FE:Penfield

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. ... NARS, Date 12-18-75

~~SECRET~~

**TELEGRAM RECEIVED**

JT

This telegram must be  
closely paraphrased be-  
fore being communicated  
to anyone. (br)

HONG KONG VIA N.R.

Dated January 31, 1940

FROM

Rec'd 1:18 p.m.

Secretary of State,  
Washington.

A  
P  
W  
Division of  
EASTERN AFFAIRS  
JAN 31 1940  
Department of State

shown to ...  
JMP

42, January 31, 3 p.m.

793.94  
note  
793.7962

Reliable information has been received of continued  
Japanese activities on Hainan Island in the construction  
with an apparent view to permanence of an airfield at Hoihow  
and of a submarine base at Sama about 150 miles south of  
Hoihow. The airfield is reported by eye witnesses to be  
about two miles long by two miles wide and to contain three  
completed hangars with two others under construction. About  
50 planes have been counted as based on this field. Less  
information is available in regard to the submarine base but  
our informants say that there is no doubt concerning its  
active construction being under way.

793.94/15640

3 - LIAISON OFFICE  
DEPARTMENT OF STATE  
JAN 6 - 1940  
MMX

Repeated to Chungking, Canton, to Peiping for Tokyo.

SOUTHARD

CSB

FEB 14 1940

RECORDED

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Department of State letter, August 10, 1972  
By Milton O. Dunlap NARS, Date 12-18-75

## INTERNATIONAL MISSIONARY COUNCIL

Composed of the following Organizations

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SOCIÉTÉ BELGE DE MISSIONS PROTESTANTES AU  
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CONSEIL PROTESTANT DU CONGO  
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DEUTSCHER EVANGELISCHER MISSIONSTAG  
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CONFERENCE OF MISSIONARY SOCIETIES IN GREAT  
BRITAIN AND IRELAND

NATIONAL CHRISTIAN COUNCIL OF INDIA, BURMA, AND  
CEYLON  
NATIONAL CHRISTIAN COUNCIL OF JAPAN  
COMMITTEE ON COOPERATION IN LATIN AMERICA  
CONCILIO NACIONAL EVANGÉLICO DE MÉRICO  
NEAR EAST CHRISTIAN COUNCIL  
NEDERLANDSCHE ZENDINGRAAD  
NETHERLANDS INDIA  
NATIONAL MISSIONARY COUNCIL OF NEW ZEALAND  
NORSK MISSIONSRAAD

FOREIGN MISSIONS CONFERENCE OF NORTH AMERICA  
(UNITED STATES AND CANADA)  
PHILIPPINE FEDERATION OF EVANGELICAL CHURCHES  
CONFEDERACIÓN DE IGLESIAS EVANGÉLICAS DEL  
RIO DE LA PLATA  
NATIONAL CHRISTIAN COUNCIL OF SIAM  
CHRISTIAN COUNCIL OF SOUTH AFRICA  
SUOMEN LAHETYSNEUVOSTO  
SVENSKA MISSIONSRÅDET  
ASSOCIATION OF MISSIONARY SOCIETIES IN SWITZER-  
LAND

CABLEGRAMS: INTMISSION, NEW YORK  
MISSIONS CODE  
TELEPHONE: CHELSEA 2-3233

Chairman: JOHN R. MOTT, 230 Park Avenue, New York City  
Secretaries: WILLIAM PATON, 2 Eaton Gate, London, S.W. 1  
A. L. WARNSHUIS, 156 Fifth Avenue, New York City  
Treasurer: S. FREDERICK TELLEEN, 156 Fifth Avenue, New York City

156 FIFTH AVENUE  
NEW YORK, N. Y.

January 12, 1940.

Dr. Stanley K. Hornbeck  
Mr. Maxwell M. Hamilton,  
Division of Far Eastern Affairs,  
Department of State,  
Washington, D.C.

Dear Friends:

A National Study Conference on the Churches and the International Situation is to be held in Philadelphia on February 27-29. The conference is being called jointly by the Federal Council of Churches and the Foreign Missions Conference. The various church bodies are being asked to appoint their delegates and it is expected that there will be a representative body of leading church men, who may have a good deal of influence in directing the thought and activity of these churches with reference to the international situation both in Europe and in the Far East. The purpose will be to consider what the churches might do or have to give in the developing of better international relations. It is not intended that the conference would attempt to give advice to other countries but rather that the conference should consider what we as American Christians ought to do. It will be a study conference without any legislative authority and its value will be largely in the education of public opinion, particularly in the Protestant churches.

In preparation for the conference several small groups have been organized and one of these is dealing with that section of the whole subject that relates especially to the Far East. This group has had one or two meetings and is engaged in drafting the outline of the statement which might be presented at the conference. I am writing now to ask whether you cannot help us, not in any official way, but through your own personal cooperation.

What I have thought of is that possibly we might arrange for four or five members of this Far Eastern group, all of whom are fairly well informed regarding the situation in the Far East, to come to Washington on some day that would be mutually convenient. If you could then manage to sit in with this group and wholly in an unofficial way join us in our discussions, helping us to base our thinking upon real facts so far as they are known and also commenting in so far as you might desire to do on the whole trend of the group's thinking or even on details of any proposals that they might think of making, it would be exceedingly helpful. Could you join us if we met in some hotel room and listen to our discussions and

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DEPARTMENT OF STATE

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participate in so far as you might desire to do so? I think you know that I would not suggest this to you if I did not think this was really an important opportunity to help in shaping opinion that may be somewhat influential.

If the proposal meets with your favor, I would suggest that we try to arrange for a day in the ~~week~~ beginning January 22. Will you name the day that would best suit your convenience?

Yours faithfully,

*A. L. Warnshuis*

Not  
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ALW:W

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*C.C. addressed to W. W. H.*

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Department of State letter, August 10, 1972  
By Milton O. Quate NARS, Date 12-18-75

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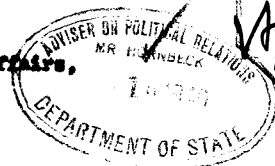
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156 FIFTH AVENUE  
NEW YORK, N. Y.

January 12, 1940.

Dr. Stanley K. Hornbeck  
Mr. Maxwell M. Hamilton,  
Division of Far Eastern Affairs,  
Department of State,  
Washington, D. C.



B  
Rec. by SHH  
drafted 1.16.40

Dear Friends:

A National Study Conference on the Churches and the International Situation is to be held in Philadelphia on February 27-29. The conference is being called jointly by the Federal Council of Churches and the Foreign Missions Conference. The various church bodies are being asked to appoint their delegates and it is expected that there will be a representative body of leading church men, who may have a good deal of influence in directing the thought and activity of these churches with reference to the international situation both in Europe and in the Far East. The purpose will be to consider what the churches might do or have to give in the developing of better international relations. It is not intended that the conference would attempt to give advice to other countries but rather that the conference should consider what we as American Christians ought to do. It will be a study conference without any legislative authority and its value will be largely in the education of public opinion, particularly in the Protestant churches.

In preparation for the conference several small groups have been organized and one of these is dealing with that section of the whole subject that relates especially to the Far East. This group has had one or two meetings and is engaged in drafting the outline of the statement which might be presented at the conference. I am writing now to ask whether you cannot help us, not in any official way, but through your own personal cooperation.

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By Milton O. Quastler NARS, Date 12-18-75

-2-

participate in so far as you might desire to do so? I think you know that I would not suggest this to you if I did not think this was really an important opportunity to help in shaping opinion that may be somewhat influential.

If the proposal meets with your favor, I would suggest that we try to arrange for a day in the week beginning January 22. Will you name the day that would best suit your convenience?

Yours faithfully,

*A. L. Warnshuis*

ALW:W

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Department of State letter, August 10, 1972  
By Milton D. Huston NARS, Date 12-18-75

*Acton*  
~~FE~~  
~~FE/A~~  
~~AAH~~

January 16, 1940.

Dear Dr. Warnshuis:

I acknowledge receipt of your letter of January 12, 1940, addressed jointly to Mr. Hamilton and me, in which you refer to the projected convening in Philadelphia from February 27 to February 29 of a conference called by the Federal Council of Churches and the Foreign Missions Conference and express a desire of members of the Far Eastern group, which has been organized in preparation for the conference, to have us participate informally and unofficially in discussions at a meeting which that group proposes to hold on some mutually convenient date during the week beginning January 22.

I am sure that it will be possible to arrange that either Hamilton or I meet with the group which is contemplating coming to Washington. I am not sure, however, that any day in the week beginning January 22 would afford a convenient period for either of us to attend a meeting outside

A. L. Warnshuis, D.D.,  
International Missionary Council,  
156 Fifth Avenue,  
New York, New York.

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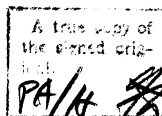
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Department of State letter, August 10, 1972  
By Milton O. Quate NARS, Date 12-18-75

- 2 -

outside of the Department. Might I suggest that you  
call me on the telephone for discussion of certain  
details.

Yours sincerely,

STANLEY K. HORNBECK



GA  
FE:GA

PA/H:SKH:ZMK

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Department of State letter, August 10, 1972  
By Milton D. Quastler NARS, Date 12-18-75

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JAN 20 1940  
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A - C. A. C. H. I. D.  
JAN 20 1940  
file

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Dr. Stanley K. Hornbeck,  
Division of Far Eastern Affairs,  
Department of State,  
Washington, D.C.

My dear Hornbeck:

With further reference to the meeting of our group in Washington in preparation for the conference to be held in Philadelphia, I am now able to say that we shall plan to come to Washington on Tuesday, January 30.

We shall want you to tell us quite frankly how we can arrange our meeting in such a way as to be most convenient for you and Mr. Hamilton. I think we would plan to come to Washington on one of the trains that leave here on Tuesday morning so that we would arrive in Washington either at 12:50 or 1:25 and we could meet at 2:00 o'clock.

As for the place of meeting, we can arrange to be in one of the hotels or in some club room if you would find it preferable to meet with us outside of the Department. Or we might meet in some room in the State Department Building if you could arrange that and if that seems desirable so that you could join us in our discussions at any time that you found it possible to leave your office. Another possibility is for us simply to arrange to call on you in your office at a time that you would determine. We shall be very grateful if you will advise us as to what arrangement would best suit you.

Yours faithfully,

*A. L. Warnshuis*

ALW:W

FEB 3 1940

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UK  
To attach.

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

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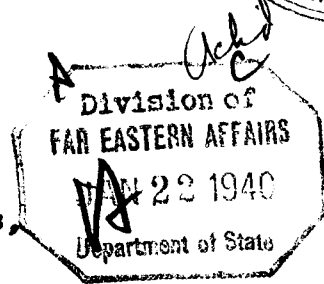
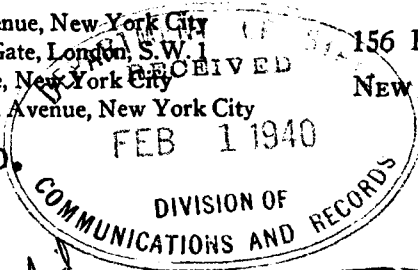
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Treasurer: S. FREDERICK TELLEEN, 156 Fifth Avenue, New York City

January 18, 1940.



Dr. Stanley K. Hornbeck,  
Division of Far Eastern Affairs,  
Department of State,  
Washington, D.C.

My dear Hornbeck:

I thank you for your letter of January 16. We appreciate your friendly willingness to assist our group in preparation for the conference to be held in Philadelphia.

I consulted a few members of the group last night after our telephone conversation and they have suggested that I arrange for our meeting in Washington on either January 30 or 31. I must consult one or two other people before reaching a final decision and I shall write you again, perhaps tomorrow. Just now it looks as though we might choose January 30 for this purpose.

Yours faithfully,

*A. L. Warnshuis*

ALW:W

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quisenberry NARS, Date 12-18-75

~~SECRET~~

January 23, 1940.

Dear Dr. Warnshuis:

I acknowledge receipt of your letters of January 18 and January 19, in further reference to the proposed visit to Washington of the Far Eastern group of the conference called by the Federal Council of Churches and Foreign Missions Conference, and note that the group plans to come to Washington on Tuesday, January 30, and are hoping that Mr. Hamilton or I will participate in their discussions during the afternoon of that day.

It is assumed that before its arrival the group will have formulated the subject matter of the questions with regard to which the group believes that we might be in position to offer helpful comment. After considering the various procedures mentioned in your letter of January 19, it is believed that the most constructively helpful and most convenient procedure would be for the group to call at the Division of Far Eastern Affairs at, say, 2:00 p.m., on Tuesday, January 30, first, to discuss with one of the officers of the Division who gives special attention to China affairs such questions

A. L. Warnshuis, D.D.,  
International Missionary Council,  
156 Fifth Avenue,  
New York, New York.

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Department of State letter, August 10, 1972  
By Milton O. Quate NARS, Date 12-18-75

- 2 -

questions as the group may have relating more or less specifically to China; then to discuss with one of the officers who gives special attention to Japan affairs such questions as the group may have relating more or less specifically to Japan; and finally, say at 3:00 o'clock, meet with either Mr. Hamilton or with me, or with both, if we are both able to be free at the same time.

Unless we hear from you to the effect that the procedure outlined in the preceding paragraph would not be convenient to you, we shall make arrangements here in accordance with that procedure.

Yours sincerely,

*Stanley K. Hornbeck*

A true copy of the signed original.  
PA/H

GA  
FE:GA:REK

FE  
mmh

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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

DEPARTMENT OF STATE  
DIVISION OF FAR EASTERN AFFAIRS  
January 27, 1940.

PA/H:  
Mr. ~~Hornbeck~~.

I have gone through this  
once. The additional copies  
which Dr. Warnshuis said would  
be forwarded have just arrived  
and I am distributing copies to  
Mr. Atcheson, Mr. Adams and  
Mr. Coville.

*MMH*



FE:MMH:REK

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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

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| CONFEDERAÇÃO EVANGÉLICA DO BRASIL                               | COMMITTEE ON COÖPERATION IN LATIN AMERICA              | CONFEDERACIÓN DE IGLESIAS EVANGÉLICAS DEL RIO DE LA PLATA               |
| NATIONAL CHRISTIAN COUNCIL OF CHINA                             | CONCILIO NACIONAL EVANGÉLICO DE MÉXICO                 | NATIONAL CHRISTIAN COUNCIL OF SIAM                                      |
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| DEUTSCHER EVANGELISCHER MISSIONSTAG                             | NETHERLANDS INDIA                                      | SVENSKA MISSIONSRADET   |
| SOCIÉTÉ DES MISSIONS EVANGÉLIQUES DE PARIS                      | NATIONAL MISSIONARY COUNCIL OF NEW ZEALAND             | ASSOCIATION OF MISSIONARY SOCIETIES IN SWITZERLAND                      |
| CONFERENCE OF MISSIONARY SOCIETIES IN GREAT BRITAIN AND IRELAND | NORSK MISJONSRAAD                                      |   |

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January 25, 1940.

Division of FAR EASTERN AFFAIRS  
JAN 26 1940  
Department of State  
file

Dr. Stanley K. Hornbeck,  
Division of Far Eastern Affairs,  
Department of State,  
Washington, D.C.

ADVISER ON POLITICAL RELATIONS  
MR. HORNBECK  
JAN 26 1940  
DEPARTMENT OF STATE

My dear Dr. Hornbeck:

I thank you for your letter of January 23, suggesting plans for our group when it comes to Washington on Tuesday, January 30.

793.94

Our group had a meeting yesterday afternoon and they very gratefully approved of the plan that you have outlined. We shall plan to call at the Division of Far Eastern Affairs at about 2:00 P.M. on next Tuesday. I enclose a copy of a draft of the paper that is in the process of preparation for presentation to the sectional group or seminar at the conference to be held in Philadelphia next month. I shall send some additional copies under separate cover so as to make these available for individuals in the Department and so save time when we consult you next week.

Yours faithfully, *Al. Warnshuis*

FEB 1 1940  
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ALW:W

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Department of State letter, August 10, 1972  
By Milton D. Shusterman NARS, Date 12-18-75

MEMORANDUM FOR THE NATIONAL STUDY CONFERENCE

ON THE CHURCH AND THE INTERNATIONAL SITUATION

---

Philadelphia, Pa.

February 27-29, 1940.

Tentative and confidential

A STATEMENT FOR THE CONSIDERATION OF THE PEOPLE OF  
OUR CHURCHES WITH REGARD TO THE SITUATION IN EAST ASIA

A. A BROAD UNDERSTANDING NECESSARY

There are various proposals for action which are now being widely discussed throughout the country in connection with the situation in East Asia. These are of three classes: proposals for legislation, for action by administrative agencies of the government and for voluntary action by citizens. It is of the utmost importance that the Christian people of our churches should form opinions with regard to these. For in a democratic country foreign policy must depend in large measure on the attitudes which are taken by the people and the actions which they wish. The responsibility of the churches at this point is an educational one. They must attempt to furnish their members with accurate information, and arm them with the goodwill and with the moral and spiritual qualities which are essential to right decisions. If information is to be accurate it must include a broad understanding of the whole situation. It is not only necessary that Christian people be informed as to specific actions which their own government might take, but the information on which these actions should be based is incomplete unless proposals for action by the United States Government should form a part of the total picture including actions by other countries. Furthermore, every proposal for action must be scrutinized not only in the light of the exigencies of the situation but also with a view to a long term solution grounded on Christian principles. While our emphasis must be upon the responsibility of our own Government and people, we must also constantly bear in mind that the world is one, that isolation is impossible and that right decisions by our government are inextricably intertwined with right decisions by other governments. Again, actions taken on a short range basis or too narrowly conceived from the standpoint of our own people and our own government, may hinder rather than help in the long term adjustment required for a more just and a more Christian order in East Asia.

B. THE PRESENT SITUATION CALLS FOR AN ATTEMPT AT A  
LASTING SETTLEMENT IN EAST ASIA

A cursory survey of the East Asia conflict shows that it is rapidly approaching a crisis. Military activities in the large have reached a virtual stalemate, here and there taking on the aspect of a blockade. The Japanese have not been successful in their efforts to pacify or to exploit the occupied territory. Chinese unity has held to a surprising degree, and shows little sign of yielding. As the conflict continues China faces vast suffering and disastrous losses. In Japan war costs mount and there is undoubtedly a great popular hope for peace. Further warfare will so weaken both nations that they may easily become the victims of predatory forces let loose by world strife.

-2-

Meantime the surprising developments in Europe have shifted basic international alignments. In this process Japan has become almost completely isolated. On the other hand the changes have involved serious new uncertainties for China. Her erstwhile helper Russia is in bad repute and may well come into active conflict with China's friends among the democracies. There is the further possibility that England and France may yield to Japanese pressure, and the flow of munitions and supplies to China through Burma and Indo China be cut off.

The American people are becoming increasingly restive because of the support which American supplies are giving to the Japanese in the war in China. It is quite clear that the American people are very anxious not to have any part in the invasion of China. The losses, insults and indignities which Americans have suffered there are important. Reparations and indemnities might repair this damage but these measures will not be enough. Americans generally, and Christians in particular will not be satisfied until justice has been done to China, for they believe that only thus can stable peace be secured.

Two events have occurred which have intensified the crisis in American-Japanese relations:

(a) The abrogation of the Commercial Treaty with Japan became effective on January 26, 1940. This gives the American Government freedom of action in the matter of economic sanctions, and thus creates a greater degree of uncertainty and tension in American-Japanese relations. At the same time, it lends naturally to an exploration, on the part of the American and Japanese Governments, of an adjustment of the relations among the nations bordering on the Pacific.

(b) Ambassador Grew's outspoken speech in Tokyo has informed the Japanese people of the true state of American opinion, and has probably given an opportunity for the business and liberal elements in that country to exert real pressure on the military for a modification of the course they have so far taken in China.

The conflict in Europe makes it most urgent that a just and lasting settlement in East Asia be had without delay. Otherwise there is a desperate danger that the fires now burning in these two continents may coalesce in a conflagration which will engulf the entire world. Conversely, a failure of aggression in Asia, where the current phase of aggression began, may well pave the way for European peace, and world peace.

The facts we have related lead us to believe that from every standpoint it is urgent for the American Government at all times to leave nothing undone which might aid in a constructive solution of the conflict in East Asia. This effort we believe offers a better chance of success just now than has hitherto been the case. It is our conviction that the churches and Christian people can do much to influence the formulation of the proposals which will lead to such a constructive solution, and to secure backing for them from the American people.



UNCLASSIFIED; E.O. 13526, Sec. 1(a) and 2(a) or (B)  
Department of State, Office of the Legal Attaches,  
1975

I. Features affecting China

1. Negotiation of a modus vivendi in regard to Manchuria, looking toward a permanent settlement of this question.
2. Facilitation of travel and communication arrangements of all kinds between China, Japan, Manchuria, and Korea, provided, of course, that these arrangements are in no way an embarrassment to China or an infringement of her sovereignty.
3. The furnishing to Japan of annual quotas of certain stipulated raw materials (for example, cotton, minerals, salt), where this can be done without injury to China's own economy, Japan to pay for the same through the ordinary processes of trade and commerce. No arrangement is contemplated here, of course, which does not fully safeguard China's sovereignty and freedom.
4. Negotiation of a general commercial treaty with Japan, giving her the utmost consideration consistent with China's own interests and with her commitments to other powers.
5. The cessation of "anti-Japanese" agitation. This assumes, of course, that Japan will take reciprocal measures.

II. Features affecting Japan

1. The lifting of the naval blockade.
2. Withdrawal of her troops from China (The details of withdrawal and subsequent occupation should be worked out by a joint Commission specially designated for the purpose. If desired, neutrals might be requested to act as observers under such a Commission. In regard to this section see also III, 3, below.)
3. The return of all properties, both public and private, expropriated during the war.

III. America's possible contribution

If America could see her way clear to take some or all of the following steps, she would undoubtedly thus do much to facilitate a settlement of the situation in East Asia.

1. Reversal the so-called "baseless ban" and place both Japan and China on the quota basis in regard to immigration.
2. Hollanderish unprovokedly, withdraw our naval and military forces, and surrender our inland navigation rights in China, within an ample period, say, within three years from the date of the discontinuance of the Sino-Japanese war.



1. To leave to obtain the consent of the other parties to the special privileges in China also to taking into account the fact also to withdraw these special and all other matters, when the time comes. (Compare also 1., 2., above)
2. To seek further to secure the return of all prisoners of war and the return of the conventional and foreign possessions in China, should a thorough limit have been set, for example, in the case of Shanghai, a "Special Administration" of the area the history of which should be arranged for a certain period of time.
3. To indicate that the Chinese people's right to self-determination should be respected in both China and Japan if possible.
4. To request credits to both China and Japan which should be granted in this connection if they are in a position to do so.
5. In addition, the right of the people of the territories of both Japan and China, of a just and equitable settlement in the East should be sought and the right of the people of these territories from both countries should be secured.

IV. Further steps

The following measures are suggested as a means of settling the situation, should the two together a general settlement of the situation.

1. The making of a permanent agreement which would include the use of military force in the Pacific area, and which would include the right of mutual assistance and friendly ports.
2. Consideration of a joint program of air force cooperation and possible maintenance of suitable procedures which would further promote general conditions.
3. The negotiation of mutual agreements which would help to develop international trade and commerce in the Pacific.
4. The establishment of a fund of resources, such as steel, which would be controlled by the mechanism which would be established by the two sides, by which suitable quantities of resources would be supplied from time to time to any one of the sides for production and industry.

Small new treaties that may be made between China, Japan, and America, or between these and other nations bordering on the Pacific, the following principles should be born in mind:

- (1) a provision for consultation in advance.
- (2) a provision for altering the treaty in the light of changing conditions. The Board of Reference, referred to in the preceding section, or some such agency, might well be of help in this connection.
- (3) Co-operation in the regulation and eventual suppression of the traffic in narcotics.

GENERIC PRINCIPLES FOR TREATIES OTHER THAN COMMERCE

1. With the United States Government

- (1) to make use of every opportunity to explore the possibility of a settlement in some case where the issue is the same as that made in the previous section, and
- (2) to give careful consideration to the so-called "whole" settlement of the whole situation in that case in all negotiations leading to the making of a new treaty.

2. As to developing a public opinion favorable to the conclusion of a new treaty in facilitating a settlement in that case in case that is desired as of the principle for a settlement there.

3. The full utilization of various means to bring the public to a better understanding of the situation. It will have to be done in the light of the existing situation of public opinion and the nature of the negotiation and improvement of the economic life of the people. It is the responsibility of the Government to see that the public is kept informed of the situation and to the development of industry in all parts of the country. It is also the responsibility of the Government to see that the public is kept informed of the situation and to the development of industry in all parts of the country.

4. The utilization of all available means to bring the public to a better understanding of the situation. It will have to be done in the light of the existing situation of public opinion and the nature of the negotiation and improvement of the economic life of the people. It is the responsibility of the Government to see that the public is kept informed of the situation and to the development of industry in all parts of the country. It is also the responsibility of the Government to see that the public is kept informed of the situation and to the development of industry in all parts of the country.

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5. Give more active support to relief work in China. In this connection we would especially commend the work of the Church Committee for China Relief, which is the officially recognized agency of the churches.

6. A basic assumption throughout this memorandum is the friendly feeling which the American people entertain towards Japan. However combined with this feeling of friendliness is also the conviction that it is America's duty to see to it that her wealth and resources are not used by Japan for the injury of China. America's friendship is toward both nations alike, and we cannot be a partner to the injury of either one by the other. As to how this fundamental conviction can best be implemented in action, opinions differ. Therefore in separate documents attached herewith various proposals are presented from different points of view in order that all aspects of the subject may be fully presented and receive due consideration. (See appendices)

F. LONG RANGE PROGRAM

1. The world mission of the Church

Perhaps the most significant contribution which the churches can make toward a solution of tensions in East Asia is the vigorous prosecution of the missionary program of the churches. Christian groups have come into being in the countries of East Asia as in the rest of the world, and the potential influence of these groups for international goodwill is a fact of major importance. The Madras Conference gave undoubted evidence of this. The World Christian Movement is the one which perhaps of all others offers the most hope of international integration in a world which has disintegrated into areas of suspicion, hate and fear. It is imperative that every effort be put forth to strengthen the Christian movement in all its varied aspects in the countries of East Asia and throughout the world.

2. World Political Organization

All through our discussion of this complicated problem we have been aware of the fact of world anarchy. We recognize that so long as each nation remains the sole judge of its own course and so long as there are no instruments available which function in the no man's land of common interest, which lies between the states, situations such as that which now obtains in East Asia must recur again and again. We have suggested some

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sort of a regional agreement among the nations around the Pacific, and some provision for revising treaties which may be made in the "near" or "far" area lest the status quo become frozen and an alliance be made of the basic human fact of change. We recognize, however, that the ultimate solution of such problems is those called for in a universal world agreement to which certain functions of national sovereignty shall be delegated, and which shall function in the area of common interest of the states which is now left unregulated and in a state of anarchy. We could, therefore, urge that Christian people in all lands study this aspect of the problem of peace and make every possible effort to work about a world political organization.

PROPOSALS REGARDING THE SALE OF WAR SURPLUSES TO JAPAN

There are a number of proposals designed to implement the policy of the War Relocation Authority to be a party to supplying Japan with raw or finished products and raw materials necessary for her military campaign in China. These proposals fall into three main divisions.

1. Those which depend upon voluntary action on the part of citizens but which are to be made effective through concerted action resulting from administrative initiative, i.e., an extension of the "moral" embargo, now in force so far as airplanes or airplane parts are concerned, to manufactured products and raw materials necessary for the prosecution of the war in China, such as, crude oil, gasoline for airplane motors, safety drops, etc.

2. Those depending upon administrative action, such as, the imposition of additional or new duties by the President under Section 338 of the Tariff Act of 1930 in reference to discriminations against American commerce carried on by Japan.

3. Those calling for legislation, such as, some form of embargo legislation either mandatory or discretionary.

There is sincere disagreement among us with regard to these proposals. There are those who look upon all these types of proposal as a highly form of a unilateral sanction and to this they are opposed. Those who favor any or all of these proposals there is disagreement as to the time and scope in their application. One group feels that a settlement in East Asia is not practical until measures of one sort or another is brought to bear upon Japan by America. Others feel that the abrogation of the Treaty and Ambassador Drew's speech have created a favorable situation which would not be furthered by additional overt pressures at this time. Still others favor actions of this type to bring about American non-participation in Japan's program in China.

With regard to the legislative embargo, in particular, there is a most marked difference of opinion. Three separate documents are therefore presented in connection with this proposal:

- (a) is argument in favor of the embargo
- (b) is argument against the embargo
- (c) is Discussion of the Limitation of Government action as an Expression of the "Moral Indignation" of Citizens.

We are divided on the question of the application of an embargo, but we are agreed that the form of the embargo embodied in the statement which follows is least objectionable. Even those of us who favor an

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embargo prefer this suggestion:

China should make plain to Japan her desire to remain on friendly terms with both herself and China, but should also say to her that she cannot longer be a party to supplying her with the raw of finished products which she uses in her military campaign in China. As a practical measure for carrying our attitude into effect, we might offer to renew our trade treaty with Japan, but at the same time put her on a reduced basis so far as the sale of supplies to her is concerned. A suggested basis is an average quota for the period of 1921-31. It is believed that this basis would effectively dissociate the United States from participation in Japan's attack on China, while it would at the same time show Japan that our attitude towards her is friendly, and that our action is intended only to avoid injury to China with whom also we desire to be friendly. It is perhaps not too much to hope that this policy might make clear to all concerned the attitude of the American Government and people, namely to be friendly to both China and Japan, but not to continue longer to be a party, however indirectly, to the injury of the one by the other.



MEMORANDUM ON THE EMBARGO ISSUE PREPARED BY DR. ROGER GREENBERG  
THROUGH THE COURTESY OF THE AMERICAN COMMITTEE FOR  
NON-PARTICIPATION IN JAPANESE AGGRESSION

What should be the attitude of the American churches and individual Christians to the proposal that Congress enact an embargo upon the export of munitions and essential war materials to Japan?

In the first place, it will be well to consider the pertinent facts, in so far as we can, to determine their bearing upon the problem, and so far as possible to assign to each its proper weight.

1. Japan is obviously engaged upon a war of invasion in China in violation of her obligations under the Pact of Paris and the Nine-Power Treaty. No matter what provocation may be alleged by Japan, it is clear that these treaties barred the use of war as a means of obtaining satisfaction. That Japan had no substantial ground for complaint is clear to all impartial students of the situation. As evidence may be cited the report of Mr. Seiji Yoshida, Chairman of the Japanese Chamber of Commerce and Industry in Shanghai as published in Tokyo March 1, 1937, and quoted by Mr. Julian Arnold, American Commercial Attache in China (Amersasia, June 1939, page 165). Mr. Yoshida expressed satisfaction with the progress that the Chinese Government had been making and called upon the Japanese Government and people to correct their erroneous China policy.

2. The Government of the United States is bound like that of Japan to respect the sovereignty and territorial integrity of China, under the terms of the Nine-Power Treaty.

3. In these days of totalitarian warfare it is known to all that common economic resources, the raw materials of the munitions industry, transportation equipment and fuels, play a part no less important than actual implements of war and explosives in military operations. The recent agreements between Germany and Russia, under which Germany hopes to obtain such materials from Russia, have been generally regarded, by the parties thereto and by the rest of the world, as evidence that Russia was deliberately trying to increase German armed power against France and Britain.

4. It is known that those states which proclaim their belief in the right of the strong to impose their will upon their weaker neighbors maintain large munitions industries capable of manufacturing ample quantities of arms and munitions provided the necessary raw materials can be obtained. To countries like Japan, organized for war and actually engaged in war, the steady supply of essential raw materials and equipment capable of being used for peaceful as well as warlike purposes is the one indispensable element necessary for the prosecution of war.

5. Japan is deliberately restricting her imports of foreign goods to the minimum necessary for the conduct of the war and for the maintenance of the country on a war basis. This is evidenced by the prohibition of all imports except upon presentation of licenses granted only when such necessity can be proved, except in the case of raw materials for export manufacturing industries from which Japan hopes to gain foreign exchange for actual war purchases. The decline of our normal cotton exports caused by the prohibition of the use of cotton goods for ordinary clothing and domestic purposes illustrates this situation. Abundant confirmation can be obtained from any firm engaged in exporting American goods to Japan, and from our own statistics of exports to Japan, since the war began in 1937.

6. Japan is made independent of outside sources of food supplies by her own agriculture and fisheries, and by the resources of Korea and Manchuria which she



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controls. There is no question nor any possibility of the starvation of the Japanese people at large being involved in any restriction of our trade with Japan.

7. In 1938, Japan purchased from the United States 56 per cent of the essential materials and equipment required from abroad to supplement her own resources in such articles, but the percentage was far higher in respect to the most important articles, as follows:

Scrap iron and steel	90.39 per cent
Petroleum and products	65.57 per cent
Ferro-alloys	82.71 per cent
Copper	90.89 per cent
Automobiles and parts	64.67 per cent
Aircraft and parts	76.92 per cent

8. In iron and steel, petroleum products, and motor equipment, Japan is almost entirely dependent upon foreign sources. With the outbreak of the European war, Japan can no longer purchase most of these supplies in markets other than the United States. Our contribution of these articles is, therefore, of vital importance to her. Without them she would be largely deprived of her superiority to China in mechanical equipment, and the war would be reduced to nineteenth century terms, with little use of aeroplanes, tanks and motor trucks, to say nothing of heavy artillery. It is, therefore, no exaggeration to say that if Japan should succeed in crushing the present Chinese Government, that result would be largely due to the help that the American people have been giving her, partly out of ignorance and partly for the sake of a few hundred millions of trade.

9. If the argument thus far has been sound, our moral obligations under the treaties and regard for our long-term interest in discouraging the settlement of controversies by force should be the paramount consideration, rather than any questions of immediate gain or loss, and should lead us to stop the aid that we have been giving to Japan. There is reason to believe that if the war can be brought to an end with China still independent, the peaceful development of both China and Japan will bring profits to our trade and industry far outweighing any temporary loss due to the restriction of certain exports to Japan. On the other hand, if the Chinese Government is destroyed, we may expect a long period of disorder in which peaceful trade cannot develop.

10. It must be remembered that this is not merely a war between Japan and China, but also a struggle between warlike and peaceful elements in Japan, the latter temporarily submerged by terrorism and by the psychology of a nationalist war. The internal war in Japan has also had its victims. In the past two decades five Japanese premiers and ex-premiers have been assassinated as well as a large number of other important civilian leaders, and many liberal Japanese have been imprisoned or forced into seclusion. Every bit of assistance that we give to the Japanese military machine helps also to keep the Japanese liberals in subjection. The more success the Japanese army seems to be gaining, the more difficult it is for the liberal elements to emerge from hiding. We cannot strengthen the liberals by attempting to placate Japan through concessions helpful to the military party.

11. The stronger the Japanese military machine becomes, the stronger becomes the urge toward military and naval preparation in our own country, and the heavier becomes our expenditures for such preparations, involving not only financial waste but also the diversion of some of our best human resources to the morally destructive pursuit of militarism.

12. If we should ever become involved in war ourselves, it is certain that we should regard as an unfriendly act the sale to our invaders of articles needed by

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the enemy for the prosecution of the war. We should strive to build up the precedents that would be useful to us if we should ever be in a situation similar to that in which China finds herself today, rather than precedents harmful to us as a peaceful nation.

13. Would an embargo on the export of war materials to Japan involve us in war? There is little ground for believing that this need be the result. War would have to start at the initiative of either the United States or Japan. Japan would have nothing to gain by making war upon us and much to lose. The first result would be the complete interruption of our trade with Japan, which is of vital importance to her. War would stop the sale to us of silk and other Japanese products upon which the Japanese finances are almost completely dependent. It would stop the sale of those of our goods which were not already included in the embargo. Japan might attack our interests in the Far East. Theoretically Japan could invade the Philippine Islands, but a campaign there would be far more difficult now than was our campaign for the suppression of the Philippine insurrection, since the Filipino forces are now much better prepared, and our naval defensive elements in submarines and destroyers would make the landing of a large Japanese army very perilous, as well as an intolerable additional burden while the war in China was still in progress. The Japanese army, long eager to fight Russia and remove the menace which Vladivostok is deemed to constitute, with its submarines and air forces so near the Japanese coast, has endured what to the Japanese military mind has been almost intolerable provocation rather than engage in open warfare. This policy has been pursued in spite of the fact that a war with Russia would not interrupt any trade of vital importance to Japan, and would on the other hand enable Japan to seize the remainder of Saghalien and Kamchatka and other points on the Siberian coast, controlling fisheries which are of the greatest interest to Japan. Japan might attack our interests in China. No irreparable loss would be caused if our missionary and educational interests in the Japanese-occupied parts of China had to close down temporarily or remove to the southwest and northwest under the protection of the Chinese government. Our business in North China, Canton, and in the Yangtze ports has already come to a practically complete standstill. Our Shanghai interests might suffer seriously, and there might be some outrages against American citizens, but these need not bring about war if the American Government and the American people show the patience and restraint which they showed at the time of the Panay incident. There is, therefore, little need to fear that the United States, with its passionate devotion to peace, would be stampeded into taking the initiative in war with Japan.

14. If the risk of war resulting from an embargo on the export of war material to Japan cannot be entirely eliminated, it should be borne in mind that no course that we adopt can entirely remove all chance of war except a decision to submit to any demands that warlike countries may make upon us. The danger of having to face such an intolerable choice cannot be entirely excluded and may be made more likely by the present policy of aiding an aggressor. A weak nation or individual may be pardoned, though perhaps not wholly justified, for yielding to threats. A nation or an individual stronger on the whole than the outlaw, cannot so easily escape condemnation by pursuing a course known to be wrong, for the sake of avoiding immediate embarrassments, losses, or risks.

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MEMORANDUM ON THE EMBARGO ISSUE PREPARED BY AN AUTHORITY

IN THE FIELD OF INTERNATIONAL LAW

I assume that one may accept as a premise that the United States should not go to war with Japan. If this is not accepted, I see no reason why an embargo should not be applied as soon as possible in order to begin weakening the combatant power of Japan. I assume the premise will be accepted, in part because it seems to be clear that the dominant American sentiment is opposed to our participation in actual war either in Europe or Asia. I am not inclined to share the view that the American people would not object to war with Japan if that war could be fought only by the professional armed forces of the United States and not by volunteers or drafts. Once war has begun, it is impossible to draw the line, provided the enemy offers greater resistance than at first anticipated or provided some other country adds its military power through an alliance with the enemy.

I assume also that one may take as a premise the assumption that the chief, long range objective of American Far Eastern policy is the stabilization of that area. If one assumes that the United States desires to become the dominant power in the Far East as it is now the dominant power in the Western Hemisphere, then the instruments of that policy would necessarily be different from what I envisage.

In deciding whether to apply an embargo on shipments of raw materials to Japan, several points must be considered:

I. Will an embargo work?

By this I mean will it have the effect of defeating present Japanese policy on the Asiatic mainland and compelling Japan to negotiate a peace?

The answer to this question is mainly guess-work. I doubt if we have accurate information concerning the amount of reserves of essential materials which Japan has built up. It is difficult to appraise the extent to which by supreme effort they could continue to supply war industry by ersatz materials and by sacrificing temporarily the general welfare of industry. We ought to know by this time that prophecies of national collapse based upon traditional economic analyses are of little value when applied to a totalitarian state which Japan either is or could readily become. My own guess is that sooner or later an American embargo would spell defeat for Japan. The length of time involved depends on whether the Netherlands would dare to cooperate (assuming that England and France did), whether Italy would cooperate, and what will be the orientation of Soviet policy, e.g., would the U.S.S.R. prefer to sell its exportable surplus to Japan or to Germany? The fact that the United States is now the chief supplier of Japan may mean that it is the most convenient market in which to buy and not that it is the only possible one.

II. If the embargo will work, what will be the consequences from the standpoint of the United States?

By definition, the immediate consequence will be the negotiation of a peace between China and Japan. It seems certain that the United States would in some way take part in the negotiation of the peace. Whether we did so directly or not, we would be associated with it in Japanese eyes, which means that they would develop a tradition of blaming us for their defeat. This would lay a groundwork of underlying hostility which might be set at rest by unusually broad-minded statesmanship leading to a fair balance between Japan and China and some outlets for Japan

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in the markets of the west. I am not confident that such an attitude would dominate American policy. If it did not, we would be faced by an inherently hostile Japan. In my opinion, an intelligent foreign policy of the United States involves a basically friendly relationship with the great powers in various parts of the world. We tried for a time in the Caribbean area a policy of keeping hostile elements under by force; we have wisely decided that our ends are better served by the existence in strategic areas of genuinely friendly nations. In the Far East I do not believe it is enough that we should have the warm friendship of China which could be secured <sup>probably</sup> by an effective embargo and might not be spoiled by refusing to allow all of the Chinese demands in the negotiated peace. As I see the future of the Far East, there will be two Great Powers, China and Japan. American policy should be designed to maintain friendly relations with both. I don't believe such a result can be achieved if the United States Government takes the affirmative step of applying an embargo which in the light of the existing situation and public discussion is clearly designed to bring about Japan's defeat. The alternative to a policy of friendliness with both China and Japan is a frank alliance with one or the other to maintain the supremacy of that one, - in other words, a Versailles peace. I believe that both China and Japan contain those elements of national vigor and vitality which make the permanent subordination of either an impossibility.

III. If the embargo will not work, what will be the consequence?

By definition, the embargo will not work if it leads to war between Japan and the United States. If war results, the consequences described above under II would be intensified.

By definition also the embargo will not work if it fails to defeat Japan because Japan succeeds in getting supplies through one of the means indicated above. Nevertheless, the failure of the embargo for this reason would scarcely diminish the hostility of the Japanese which the imposition of the embargo would arouse.

Tied up with the above two points is the possibility that the embargo might drive the Japanese to the southward - Philippines or Dutch Indies - perhaps as a result of the Navy replacing the Army as the dominant group in Japan. The United States should be prepared to face such an eventuality by force (that is war) if necessary. In this connection I consider apposite the remarks of Elihu Root in denouncing Wilson's World War Policy of repeated ultimatums: "No man should draw a pistol who dares not shoot. The government that shakes its fist first and its finger afterward falls into contempt." The imposition of an embargo is, in diplomatic practice, both the drawing of a pistol and the shaking of a fist.

IV. What is the relation of the Japanese embargo question to other foreign policies of the United States?

At the moment American sympathies are strongly aroused in favor of Finland. Sympathy in this case is not so closely connected with self-interest as in the case of China, but if an embargo is to be based on sympathy for the victim of aggression, we should also take sides with Finland against Russia. Similarly, sympathy with the Allied cause against Nazi Germany would suggest an embargo against Germany. Again it is urged that we can not soundly take affirmatively hostile action against any country unless we are prepared to go further if that country takes up the challenge and retaliates against American property and lives. If the State which is the object of the embargo retaliates by sinking American vessels at sea, would the United States be able to avoid war? Despite our great strength, are we prepared to declare war on Japan, Russia and Germany at the same time? My own view is that we are not - from the point of view of public opinion - prepared to declare war against any one of them.

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Mention should also be made of the theory of preventive wars. This is based either on the notion of "traditional enemies" or on the theory that if an aggressor wins one war across the ocean, he will then attack the United States. It is said that some American naval officers believe in the traditional enemy theory, think we are bound to fight Japan some day and had better pick our own time. I consider such a theory wholly false. I also wholly disagree with the bogey theory that either Germany or Japan, if victorious in the present wars, would come over and attack the United States. There is not space to develop that point here.

V. Would the imposition of an embargo be a merely negative act?

It is argued that we do not intend to take affirmative action against Japan; that we merely wish to put an end to our present "participation in Japanese aggression." With due respect to those holding this view, I believe it reveals a total ignorance of the way in which international relations are carried on. Governments, like individuals, are to a large extent governed by conventions. You can decline to propose a man for membership in a club while you endorse some one he dislikes; you can decline to accept his invitations to dinner and still remain on speaking terms. But if you slap him in the face when you meet him on the street, the social consequences are quite different. Similarly in international affairs, we can make a loan to China, we can protest against damage to American property; we can denounce the bombardment of civilians; and we can give notice of an intention to terminate a trade treaty without bringing about a rupture. But the imposition of an embargo is equivalent to the slap in the face. A weak fellow may not slap back but his feeling of hatred may be even more intense than if it found immediate physical expression. In a situation like that now existing in the Far East, the continuance of normal trade is the usual practice of diplomacy. The cutting off of that trade by the adoption of an embargo sponsored as it is by Senator Pittman who has ardently declared his desire to injure Japan, is distinctly an act of affirmative hostility.

Because of the conventions and habits of international diplomatic intercourse, we can reveal our displeasure and even give assistance to China without causing a definite breach and a wound which will not heal. We can not go to the extent of an embargo without definitely taking sides and being prepared to follow up.

VI. Is an embargo required to protect our interests in the Far East?

I do not believe that many people advocate an embargo on the ground that it will pay in terms of dollars and cents through the protection of American investments and the maintenance of the Open Door. In fact to argue for an embargo on those grounds would be to deprive it of much of its popular support. The American people are not of a mind to go to war or to threaten war for the protection of foreign investments, even when they are partly philanthropic and cultural as they are in China. Nor has it ever been the policy of the United States to keep the door open by force of arms.

From what I have heard and read, I am forced to the conclusion that the movement for an embargo is largely supported by the feeling of sympathy and friendliness for the Chinese; in other words, it has a sentimental base so far as public opinion is concerned. I fully share the sympathy but I can not agree that sentiment is a safe foundation on which to build foreign policy. This statement runs counter perhaps to the widely held view that the United States should assert its power by standing for right and justice throughout the world. To a large extent I agree but with two qualifications:

First: Don Quixote should not be our model.

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Second: It is false and dangerous to induce the country on sentimental grounds to take particular steps before the country is prepared for a genuine policy of international cooperation. If it were possible to say that the American people today are prepared to accept full membership in the League of Nations as the Covenant is now drawn, I should be in favor of our taking that step and playing a full part in an international collective system. It is obvious to me that public opinion is not ready for that step. Even England and France were not prepared to honor their obligations under the Covenant when the hard test came. We are therefore deprived of the advantage of common consultation and action in staving off crises and in righting wrongs before they breed war; we are deprived of the advantage of even that type of common front which the League members achieved in applying sanctions against Italy in 1935. We would be following a lone trail, afraid to align ourselves with all the other States who are our general point of view and setting up an essentially false front for the course we were following.

That is not a sound basis for foreign policy.

THE LIMITATION OF GOVERNMENT ACTION AS AN EXPRESSION  
OF THE "MORAL INDIGNATION" OF CITIZENS

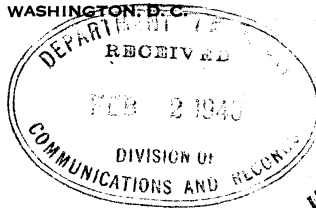
One of the basic problems faced by Christians is how to register the "moral indignation" felt as the result of the invasion of China and the ruthless type of warfare which has been carried on. It is urged that in a democracy the normal way for the opinion of citizens to be registered is through the expression of a majority opinion in government action. If, therefore, the majority of the people are outraged by the Japanese invasion of China, the government should make clear to Japan in some overt way that that is the opinion of the majority of the citizens. The fact remains, however, that in the international field there is no democratic procedure, and that when a nation registers the opinion of its citizens, moral or otherwise, it must be registered through the international framework which is essentially anarchical. Consequently, moral indignation when crystallized into government action ceases to be of significant moral value. For back of all the operations of modern nations is the system of independent national sovereignties and the resulting war system. So long as each nation is responsible to itself alone and is concerned alone for its own self-preservation and its own self-interest, any action which any Government pursues today is based on the independent sovereignty idea and the well recognized system of defending and protecting national interests by the use of force. Actions which may be proposed in the interests of righteousness when converted into government action must fit into the total framework of national self-interest and thus may become something quite different from the original intent of those favoring the action. Furthermore however well intentioned the action of any nation may be, in the existing system, it can only be construed by other nations as an extension of national self-interest.

This is particularly true of the United States, for the United States has carefully refrained from assuming responsibility for concerted action with other nations, and has adopted a strictly independent position reserving for herself the right to be her own judge in all matters affecting her own vital interest. She has not entered the League of Nations. She has not entered the World Court. The United States Government would be bound to undertake any policies of coercion in the East Asia situation in her own interests, since the whole policy of the United States has been based on one of non-interference except where self-interest is concerned. It is impossible for the United States now, apart from an organized concert of powers, to act unilaterally in an effort to coerce any other power by any measure whatsoever apart from distinct self-interest. This must be taken into consideration in any advocacy of government action on the part of churches or Christians in the United States.

L. J. SHAFER  
Secretary of the Committee on East Asia

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Hunter NARS, Date 12-18-75

EXECUTIVE OFFICE OF THE PRESIDENT  
BUREAU OF THE BUDGET



JAN 31 1940

February 2 1940

My dear Mr. Secretary:

I have your letter of January 30, 1940, transmitting the original and one copy of a proposed report to the Chairman of the Senate Committee on Foreign Relations, relative to S. Con. Res. 36, declaring a state of war to exist between the Empire of Japan and the Republic of China.

The original of the proposed unfavorable report is returned herewith, and you are advised that there would be no objection to its submission to the Committee.

Very truly yours,

*Edward G. Smith*  
Director.

The Honorable,

The Secretary of State.

Enclosure:  
Original of proposed report.

793.94/15644

FILED  
FEB 2 1940

F/FG



CROSS-REFERENCE FILE

NOTE

**SUBJECT** Civilian casualties resulting from Japanese air raids, Jan -  
July, 1939; officially published Chinese war figures.  
Comments on-, with reference to "news release" of the China  
Information Committee, Dec 18, 1939.

793.94/15645

For the original paper from which reference is taken

See Memorandum  
(Despatch, telegram, instruction, letter, etc.) State Department  
Far Eastern Division  
(Atcheson)  
Dated Jan 27, 1940 From }  
To }  
File No. 793.94116/128

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quaker NARS, Date 12-18-75

*FE*

**TELEGRAM RECEIVED**

HSM  
This telegram must be  
closely paraphrased  
before being communi-  
cated to anyone. (Br.)

FROM Chungking via N. R.  
Dated February 3, 1940  
Rec'd 5:45 a. m.

Secretary of State,  
Washington.

*file*  
A  
Division of  
NARS  
B  
FEB 3 - 1940  
Department of  
State  
*WHA*

*shown to SAC/COMM/D  
JHP*

62, February 3, 3 a. m.

Department's 4, January 12, 6 p. m., and Department's  
-15621a  
25, January 19, 6 p. m., to Tokyo.

Following is excerpt from telegram of February 2,  
4 p. m., from Yunnanfu; Japanese bombing operations on  
February 1 resulted in more than 100 persons being killed  
or wounded on a north-bound train on Chinese section of  
the Yunnan Railway. Five European employees of the  
railway are known to be dead. No American casualties  
so far as known. Traffic temporarily suspended.

Repeated to Peiping, Shanghai, Hong Kong; Peiping  
repeat to Tokyo.

PECK

HPD

FILED  
FEB 8 1940

793.94 / 15646

F/FG

*793.94  
note  
793.94116*

**TELEGRAM RECEIVED 023**

*rme  
10/23/45*

JR

This telegram must be closely paraphrased before being communicated to anyone. (C)

FROM Tokyo

Dated February 3, 1940

Rec'd 1 p.m.

Secretary of State,  
Washington.

*Division of  
FAR EASTERN AFFAIRS  
FEB 5 - 1940  
Department of State*

80, February 3, 8 p.m.

STRICTLY CONFIDENTIAL.

One. A prominent Japanese whose name is given in a subsequent telegram, expressed desire a few days ago to have a frank talk with me as soon as possible but as I was confined with bronchitis I arranged for him to meet a member of my staff. There will be found <sup>in</sup> the following paragraphs an outline of the important points brought up by this Japanese during the conversation, which took place on January 31. I concluded that the correctness of the estimate of this Japanese of the internal situation would depend largely upon the accuracy of his prediction that there would be reflected in the Diet the trend toward settlement of the conflict with China along liberal and enlightened lines. The courageous and straightforward expression of such trend which was given yesterday and the Diet by Deputy Saito as reported in our 79, February 3, 3 p.m., would seem to lend considerable significance to the views of our Japanese informant who said (A) Japan has miscalculated

*793.94  
not  
894.00  
BY*

793.94/15647

FEB 7 - 1940

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F/FG

*VV*

024

-2- #80, February 3, 8 p.m., from Tokyo.

misjudged the fiber and character of the Chinese people in three important respects: (First) Chiang Kai Shek despite repeated military reverses is politically more powerful and more secure today than he was three years ago; (Second) the Chinese have demonstrated extraordinary capacity for patriotism and national service and; (Third) the Chinese has proved himself to be an excellent soldier. These facts are slowly but inexorably producing among the Japanese people the belief that China is deserving of respect and is entitled to be treated by Japan on terms of equality (B) the still dominant army and reactionary elements are even now opposed to settlement of the conflict on the basis of "no indemnity and no annexation", as they believe that Japan cannot afford to rely merely on the good will of China for benefits to compensate for sacrifices made by Japan. However the Japanese people are now undergoing the change in concepts of international relations which occurred in the Occident during and after the first Great War, and they will eventually come to the conclusion that relations with China must be conducted on the basis of cooperation and mutual respect. The development of Japanese thought along liberal lines would be clearly manifested

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. S. [unclear] NARS, Date 12-18-75

**TELEGRAM RECEIVED 025**

-3- #80, February 3, 8 p.m., from Tokyo.

manifested in the Diet. Although there would be the  
usual chauvinistic speeches there would also be voiced  
a strong plea for settlement of the conflict on terms  
which would make possible the retention by China of its  
self-respect. (END OF SECTION ONE)

GREW

EMB

**TELEGRAM RECEIVED**

JR

This telegram must be closely paraphrased before being communicated to anyone. (C)

FROM Tokyo 026

Dated February 3, 1940

Rec'd 2:25 p.m.

Secretary of State,  
Washington.

80, February 3, 8 p.m. (SECTION TWO)

(c) Since the outbreak of the war in Europe the United States has a more important source of supply for Japan than ever before, but considerations of national security transcend those of economic well being. If danger threatens from the direction of the United States Japan will inevitably strive, for strategic and military reasons, to reduce the chances of trouble with Russia. Germany when confronted with war in the west reached an accord with Russia, and if Japan were placed in a similar position she would have to adopt the same course. If embargoes are imposed on Japan by the United States they would have the two fold result of suppressing the growing liberal trend in Japan and in adding strength to those who desire an alliance with Russia and Germany.

✓  
Saito, Takao  
NBF  
(current)

Two. It is still too early to estimate precisely the repercussions to Saito's speech. The press reports that there is a strong feeling in the Diet that he should be expelled but that within his own party, which is numerically the

027

-2- #80, February 3, 8 p.m. (SECTION TWO) from Tokyo.

the strongest party in the Diet, there is considerable support of the position taken by Saito and opposition to any drastic disciplinary action. There is no doubt that Saito has raised an issue. We feel that the manner in which this case will be disposed of will serve to indicate the strength of the opinion voiced in his speech.

Three. I hear from a reliable source that Saito is close to General Ugaki and that his speech is regarded as an expression of the latter's views.

(END OF MESSAGE)

GREW

EMB

*013P  
M, Kagashi  
✓*

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Shusterman NARS, Date 12-18-75

*FE*

**TELEGRAM RECEIVED**

HSM  
This telegram must be  
closely paraphrased  
before being communi-  
cated to anyone. (SC)

FROM Tokyo  
Dated February 3, 1940  
Rec'd 10:08 a. m.

Secretary of State,  
Washington.

Division of  
FAR EASTERN AFFAIRS  
FEB 5 - 1940  
Department of State  
*WAS*

Sl, February 3, 9 p. m.  
STRICTLY CONFIDENTIAL.

The Japanese referred to in our 80, February 3,  
8 p. m., is Admiral Nomura, recently Minister for  
Foreign Affairs.

GREW

WTC

*WTC*  
*WAS*  
*793.94*

793.94/15648

FEB 7 - 1940

FILED

F/FG



Dec 16, 1939

Rec'd

THE PRESENT SITUATION IN CHINA

Address By  
His Excellency Dr. Hu Shih  
The Town Hall Inc.  
Tuesday, December 5, 1939

I

Japan's aggressive war in China which began in September, 1931, has been going on for more than eight years. Its latest phase of continued large-scale hostilities has been going on for exactly twenty-nine months. By the New Year Week, the war will be two and a half years old.

Four weeks ago, on November 12th, Generalissimo Chiang Kai-shek summed up the first two and a half years of the war by saying that as the war went on, Japan had become weaker and weaker, while our power of resistance had become stronger and stronger. Has he been over-optimistic or unrealistic?

793.94

First, it is not difficult to show that China's power of resistance has become greater today than ever before. In the same speech, General Chiang said that, since the outbreak of the war in 1937, our military strength today had been more than doubled. These words of the Chinese Commander-in-chief were confirmed a few days ago by the Japanese Premier, General Nobuyuki Abe, who told the Osaka commercial leaders that General Chiang Kai-shek still had about 2,000,000 soldiers in the field, and that the final solution of the "China Incident" might take from five to ten years.

Our great strength lies in what the physicist calls "mass", - that is, vast space and great numbers. Japan with her 70 million is trying to conquer a population of 450 million. The war fronts now extend from beyond the Great Wall to the Western River Valley - fully two thousand miles. It is estimated by conservative neutral observers that, on the various fronts taken together, Japan has been and is losing at least from 300 to 1,000 men every day, - without any major frontal battles. That is about 300,000 to 360,000 men in a year!

And, during the last eight months, our soldiers have been doing very well, not only in guerrilla warfare, but also in frontal battles. We have inflicted severe defeats on the invaders in Southern Shansi and Northern Hupei. And in the first days of October, the Chinese armies in Northern Hunan and Northern Kiangsi scored a series of signal victories over the Japanese troops attempting to capture the city of Changsha. Japanese dead were estimated at 30,000. And the Japanese Army Headquarters declared that the city of Changsha was of no military value!

General Chiang has elsewhere told the world that the strategy of the Chinese defender consists of "trading space for time" and of "achieving a great victory by accumulating small victories". One can best appreciate the meaning of his famous phrase "trading space for time", when one recalls the lightning rapidity with which Austria, Czechoslovakia, Albania, and even Poland were overpowered and extinguished by their aggressors.

We have temporarily lost some very important territory. But we have gained two and a half years of time! and we are quite confident that we can fight on for another two and a half years, or as the Japanese Premier has predicted, from five to ten years. Time is our ally. The longer we fight on, the more confident we become, and the stronger we become.

II Nor

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FEB 3 1940

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- 2 -

II

Nor is it hard to demonstrate that, the longer the war goes on, the weaker becomes Japan. Indeed the war is already exposing to the world many weaknesses of Japan as a nation.

I shall not dwell on the low opinion which foreign military experts have expressed about Japan as a military power. Nor shall I stress the moral demerit of the Japanese fighting forces as evidenced in their conduct in occupied areas in China, or in their peculiarly Japanese method of conquest by poisoning the conquered population by army-controlled traffic in highly concentrated narcotics.

Nor shall I try to emphasize the great political and intellectual weaknesses of the Japanese nation by pointing to the complete disappearance of liberalism and radicalism with the outbreak of the war, or to the complete absence of national leadership after eight years of continental warfare.

I shall confine myself to one phase of Japan's weakness which can be seen in statistical figures, - namely, her economic weakness. It has been estimated that the cost of the first two years of the war, plus the cost of the Manchurian invasion and occupation, is eight times the combined costs of the first Sino-Japanese War (1894-5) and the Russo-Japanese War (1904-5).

Sino-Japanese War.....	200,000,000 yen
Russo-Japanese War.....	1,720,000,000 yen
	<hr/>
	1,920,000,000 yen
Manchurian Invasion.....	1,273,000,000 yen
New Sino-Japanese War.....	14,000,000,000 yen
	<hr/>
	15,273,000,000 yen

and the national budget of 1939 is seven times that of 1931:-

1931	1,476,000,000 yen	100%
1937	5,436,000,000 yen	370%
1938	8,323,000,000 yen	570%
1939	9,410,000,000 yen	700%

To meet this gigantic expenditure, the Japanese Government has had to resort to such inflationary methods as the increase of paper notes and of loan issues,

Loan Issues

1937	5,300,000,000 yen
1938	5,400,000,000 yen
1939 (Estimate)	5,924,469,000 yen

This is far beyond the capability of the Japanese bond market to absorb. By the end of 1938, there was already 3,160,000,000 yen's worth of new bonds left in the hands of the banks.

Moreover, the war has necessitated the drastic curtailing of Japanese exports, which has led to the unfavorable balance of trade. And the imports of ammunitions and of raw materials for the war industries must be paid in gold. The result has been the rapid disappearance and exhaustion of the Japanese gold reserve.

Japanese gold sold to the U. S. A.

1937	\$246,470,000
1938	168,740,000
1939 (Jan.-Oct.)	136,018,000
	<hr/>
	\$551,228,000

Being

- 3 -

Being weak in such "key commodities" as oil, scrap-iron, copper, lead, nickel, rubber and metal-working machinery, Japan must import them from abroad. Therefore, the decrease in her export trade and the exhaustion of her gold constitute a very serious situation. And there seems to be no end of the war in sight.

I am, therefore, justified in saying that, during these twenty-eight months of the war, Japan's weaknesses are fully and clearly revealed to all who can read. The world is witnessing one of the greatest tragedies of human history, - namely, a great nation light-heartedly throwing overboard its glorious achievements of 60 years and foolhardily committing hara-kiri on a gigantic scale. The world is witnessing the greatest weakness of the Japanese nation, namely, its inability to control its military machine even at the risk of national perdition.

### III

There is another way of looking at the situation in the Far East. China is fighting her war of resistance to aggression, and she is fully conscious that she not only has the sympathy of the civilized world on her side, but has been actually fighting with the material and political assistance of the friendly nations. On the other hand, Japan stands isolated and condemned as the "Public Enemy Number One" in the family of nations. She has been recently deserted by her friend and partner, Germany, and is now shamelessly trying to bluff the democratic nations by threatening to join hands with Soviet Russia!

I wish I could make you all fully appreciate what a world of difference it makes whether you fight a war with the sympathy or with the condemnation of the whole civilized world on your side! This almost unanimous sympathy on the side of China has been an important factor in buttressing our morale throughout these months of distress and tribulation. And it is this same sympathy that has been largely responsible for the not inconsiderable amount of material and political help from all of China's friends.

Of course, there were Chinese optimists who had entertained extravagant expectations of the friendly powers and who naturally felt greatly disappointed when China had to fight Japan single-handed for more than two years without any other Pacific Power stepping into the war on our side. But those of us who knew the international situation and who understood the war-weary psychology of the peace-loving nations, never cherished great hopes for China to secure military, financial or material aid from her foreign friends.

Yet, the Chinese cause was so convincingly appealing and the conduct of Japanese military so horribly aggressive that China soon found every friendly power quite ready to give her assistance in every way possible. Indeed, China could not have fought so well and so long without the help of Great Britain, France, Soviet Russia and the United States.

Soviet Russia, which is nearest to us and least afraid of Japan's military strength, and which has the least vested interests in China at stake, naturally feels most free to give China assistance. The aid from the Soviet Union has been twofold: first, by amassing a great military force along the Manchurian and Mongolian borders, thereby making it necessary for Japan to maintain at least a third of a million of her best-trained and best-equipped troops in Northern Manchuria and Inner Mongolia; and, secondly, by selling to China partly on credit, and partly by barter, a large amount of arms, ammunitions, war planes, and quantities of oil.

I take

- 4 -

I take this opportunity to point out that this assistance from the Soviet Union has been given to us ~~largely~~ because Soviet Russia was ~~then~~ at the height of her international idealism and was therefore sympathetic with China's resistance to Japanese aggression. ~~largely~~ because it is to her national interest to do so. ~~So far~~ there has not been any string tied to this assistance, - neither ideological surrender nor territorial concession.

Great Britain and France both have vast interests in various parts of China which can be easily threatened by Japan. Moreover, ever since 1935, both Great Britain and France had been so much occupied by the European situation that they were unable to devote much attention to the Far East. Yet, in spite of these great difficulties, both Britain and France have been quite generous in their help to China during these two and a half years of the war. Great Britain has rendered great assistance to China by supporting the Chinese national currency ever since the days of November, 1935, when the new currency policy was first proclaimed by the Chinese Government. For fifteen months, the British colony of Hongkong was the greatest port of entry for Chinese munitions and war materials; and, even after the loss of Canton, Hongkong is still one of the most important side-doors for free China. And it is Great Britain and France which now give to China the use of her two great back-doors, - the two great accesses to the sea; namely, the French Indo-China Route and the British Burma Route.

It is unfair to say that such aid from Great Britain and France has been given to China simply because British and French Imperialism is anxious to defend itself against the menace of Japanese Imperialism. It is, I repeat, largely the manifestation of deep-rooted sympathy. This sympathy we can understand better now that these democracies are actually engaged in a terrific war which, in the words of Mr. Neville Chamberlain, aims at "the defeat of that aggressive, bullying mentality which seeks continually to dominate other peoples by force, which finds brutal satisfaction in the persecution and torture of inoffensive citizens, and which, in the name of the interest of the state, justifies and repudiation of its own pledged word whenever it finds it convenient."

Naturally my people have expected more moral, political and material support from the people and government of the United States. In this expectation, we have not been disappointed. You all know that, under the Silver Purchase Act, your Department of Treasury has bought vast quantities of our nationalized silver which purchase has been of the greatest help to China. And you all know of the \$25,000,000 credit which the Export-Import Bank gave to a Chinese trading corporation last December, and which has been indirectly responsible for China's securing subsequently large credits from other countries amounting to over 50 million dollars. But the world little realizes that that 25 million dollars' credit was a thousand times more significant than the figures might indicate, because this financial assistance came at a time when China's last main access to the sea had been cut off with the loss of Canton, and her morale <sup>probably</sup> at the lowest ebb. Future historians will surely say that the Export-Import credit of last December, not a very large amount in itself, had the magic effect of reviving and buttressing the spirit and morale of Chinese resistance, because it made China understand that she had not been deserted by her friends in her darkest hours of distress.

The same magic touch was again given to China by the American Government on July 26, 1939, when it suddenly but apparently nonchalantly notified Japan of the abrogation of the 1911 Treaty of Commerce and Navigation. This action has once more given the greatest encouragement to the Chinese nation because it came at a time when Great Britain had just been forced to make an important concession to Japan in her negotiations in Tokio, and China

- 5 -

was beginning to wonder whether practical difficulties and threatened interests were actually compelling her friends to desert her. The American Government's action once more dispelled all such doubts: it gave moral encouragement to China by strengthening her friends and dumbfounding her enemies.

#### IV

The abrogation of the Commercial Treaty with Japan was announced in Washington on July 26. At that time, the European situation was rapidly and radically deteriorating. On August 23, the text of the Non-Aggression Pact between Soviet Russia and Germany was published. German invasion of Poland began shortly afterward and the great European War broke out in the first days of September. This great war has now been going on for over three months.

What effects has the European War had or will it have on the Sino-Japanese War in the Far East?

For weeks there were grave apprehensions on the part of the Chinese leaders and the Chinese people. There was the danger of Great Britain and France being forced to make important concessions to Japan at the expense of China; there was even the danger of the Indo-China and the Burma routes being closed by the French and British at the point of the Japanese bayonet; and there was the danger of Soviet Russia abandoning her policy of assistance to China.

I am happy to say that so far the situation has turned out to be very much better than it had first appeared. The Soviet-German Pact, apparently negotiated and concluded without the knowledge of Japan, was considered by Japan as a betrayal by her supposed friend and ally, Germany. In her strong resentment against Germany, the Japanese Government declared the Anti-Comintern Pact dead. She now feels herself more isolated than ever. She does not know where to turn next. She will probably remain in that state of bewildered isolation for some time to come.

In this state of resentment and bewilderment, Japan has so far not dared to attack the British and French possessions in East Asia. Recently Britain and France have slightly reduced their armed forces in North China. It is quite possible that the European situation may force the British and the French to make some other minor concessions to Japan on the mainland of Asia. But we are reasonably confident that these democratic powers which have undertaken to fight a terrific war for the purpose of defeating the continual threat to dominate the world by force, surely will not betray or desert China which, for over two years, has already been fighting the world's first battles against aggression. Indeed such a betrayal of China would emphatically belie all their professed war aims and peace aims.

As to what Soviet Russia will do in the Far East, no one can tell. But this much I can say: - After almost four months of intermittent warfare on the Mongolian-Manchurian border, Russia and Japan signed on September 15 an agreement which brought about a cessation of hostilities and established a joint commission to examine the disputed boundaries. On October 31, Premier Molotoff of the Soviet Union, in the course of his report on Foreign Affairs to the Supreme Soviet, said that "the possibility has been established of starting Soviet-Japanese trade negotiations" and that they (the Soviets) "look with favor on Japanese overtures of this kind". A few days later, however, the Communist International in Moscow issued a manifesto calling upon the workers and farmers of the world to rise and support the Chinese people in their heroic resistance to Japanese aggression.

So far

-6-

So far there has been no indication that the Soviet Union has abandoned or will abandon her policy of assistance to China.

In short, there have been "beginnings of improvement of relations" between the U.S.S.R. and Japan, and there have been "Japanese overtures" for trade negotiations; but Soviet Russia apparently is still continuing to give help to China in her war against Japanese invasion.

Whatever effects the European War may produce on the Sino-Japanese conflict, and whatever changes may come in the international line-up in the Far East, one thing is certain: namely, that the Chinese people are determined to fight on, for many more months and possibly for many more years to come, - until our enemy is economically so exhausted and militarily so bogged down that it will be willing to accept a just and endurable peace. This is not impossible. You will remember that in November, 1918, when the Armistice came to the last world war, Germany was still occupying almost the whole of Belgium and a large portion of France, - but the war had been lost for the Germans.

And this break-down of Japan can be greatly accelerated by an effective boycott of Japanese goods and an effective embargo of essential war materials to Japan by the peace-loving and democratic peoples who have been supplying Japan with foreign exchange and with scrap iron, oil, copper, cotton and metal-working machinery. When Japan's unfavorable trade balance is becoming unbearable, when her domestic loan issues can no longer be absorbed by the native banks and investors, when her gold holding is completely exhausted and when she has nowhere to go to replenish her exhausted war supplies, - then a little pressure from without will tell effectively just as the proverbial last straw breaks the back of the camel.

In conclusion, I cannot help quoting once more from the November 12 speech of General Chiang Kai-shek, in which he says: "It is fortunate for the world that the European War was started 20 months after China had taken up our war against Japanese aggression". "Today Japan no doubt still has the ambition to seize the opportunity of the war in Europe to fish in troubled waters; but she has been deeply bogged down and greatly weakened by our armies and is no longer powerful enough to effectively threaten the world with her forces of aggression".

It is in this sense that China may be said to have been fighting these 30 months on behalf of the civilized and peace-loving world. This is the larger historical significance of China's war of Resistance.

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quastler NARS, Date 12-18-75

NO. 38

AMERICAN CONSULATE GENERAL

American Foreign Service, Hanoi, Indochina,  
January 6, 1940.

SUBJECT: Chinese Counter-Offensive in Kwangsi.

RECEIVED  
DEPARTMENT OF STATE  
1940 FEB 12 2 40 PM '40

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

Division of  
COMMUNICATIONS  
AND RECORDS  
FILE

THE HONORABLE  
THE SECRETARY OF STATE,

WASHINGTON.

SIR:

RECEIVED  
IN U.S.A.

743.9

I have the honor to refer to my despatches nos.

31 and 32, dated respectively December 24 and 26, 1939,

in regard to the progress of the Kwangsi campaign, and

to submit, as of possible interest to the Department,

such information as I have been able to obtain since

the latter date in regard to this subject. It would

appear, in brief, that the Chinese counter-offensive,

which was reported to have begun comparatively well,

has had no real success during the past week or ten

days. It is possible, of course, that the main

counter-offensive has not begun as yet.

The Indochina press continues to print reputedly  
circumstantial accounts of the campaign. On the whole,  
these reports tend to give the impression that the  
Chinese have gained important victories, particularly  
in and around Nanning. It would seem, however, that  
any optimism as regards Chinese successes is somewhat  
premature. Although it was previously reported that  
the Chinese had retaken Nanning, it is now understood  
that the Japanese withdrew from Nanning only temporarily  
and

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FEB 11 1940  
A.M./C.

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FEB 7 1940

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DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Shusterman NARS, Date 12-18-75

AIR MAIL


-2-

and to restore communication with the units which had become separated from the main body of troops as a result of a Chinese thrust between Nanning and Lungchow. At the present time, according to missionaries lately returned from Kwangsi, the Japanese line is slightly to the north of Nanning.

So far as I have been able to ascertain, and reliable information is difficult of obtainment in Indochina, Chinese successes have been confined for the most part to the defeat of small advance units toward the French frontier and to the north. I am endeavoring to ascertain whether the Japanese have restored the air field at Nanning and whether they are using this as a base for the bombing of railway objectives in Yunnan.

Respectfully yours,

For the Consul at Saigon,

  
Charles S. Reed II,  
American Consul.

Original and 2 copies to the Department  
Copies to Embassy, Chungking and Peiping  
Copies to Consulates, Kunming and Saigon  
Copy to Consulate General, Hongkong

800

CSR:csr



DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Swartz NARS, Date 12-18-75

NO. 37

AMERICAN CONSULATE GENERAL  
American Foreign Service, Hanoi, Indochina,  
January 6, 1940.

SUBJECT: Japanese Occupation of Lungchow

Division of  
125-1940

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DEPARTMENT OF STATE

1940 FEB 5 PM 12 24

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

HONORABLE

THE SECRETARY OF STATE,  
WASHINGTON.

LEGAL ATTACHE  
MAR 19 1940  
DEPARTMENT OF STATE

SIR:

MAR 15 1940

793.94

I have the honor to refer to my despatches and telegrams in regard to Japanese activities in Kwangsi and, as of possible interest to the Department, to quote pertinent extracts from a report by an American citizen, now residing at Dong Dang, in regard to the Japanese occupation of Lungchow, Kwangsi.

793.94 / 15651

"The Japanese occupied Lungchow on the evening of December 21st. One thousand two hundred Manchurian, Korean and Formosan soldiers including four hundred cavalry were in the occupying party. It is said that they came across country from the Ming Kiang district to Ap Chai Tan.

"The French Consul, the French Catholic Father, Rev. H. E. Lang and approximately fifty Chinese were all that remained at the time of occupation. The Consul was assured that they intended to destroy only Government buildings but Mr. Harrison advises that the entire city on the west side of the river was burned. Strangely the only two buildings remaining are the Post Office and the Bank of China.

"The Japanese established themselves in the C. M. Customs Compound but left it in fairly good order. Two Chinese were tortured and disclosed that two gasoline dumps were located in the Park. These were located and the two Chinese were burned with gasoline. Fifteen of the fifty remaining Chinese were burned to death. The bridge was dynamited and while not destroyed is impassable.

"Buildings on the east side of the river

fared

DEPARTMENT OF STATE  
MAR 11 1940  
ASSISTANT SECRETARY OF STATE

MAR 25 1940

F / FG

AIR MAIL

- 2 -

fares better. All buildings starting with and including the A. P. C. Office toward the river were burned however. Hundreds of drums of Solar Oil along the road were broken.

"Rev. Lang's house was burned to the ground. He has the French Consul's certification that the Japs did the burning and that the damage amounted to IC\$40,000.

"Having accomplished their job the Japanese left Lungchow on December 24th. Inhabitants started returning on Christmas. Several thousand had arrived by yesterday. The road to Dong Dang is still cut but should be open in two or three days according to Mr. Harrison. The Lungchow-Langson bus tried to get through today but returned in the afternoon. The road to Caobang and Jin Si is open however."

The information given in the above report has been confirmed in great part by Reverend H. E. Lang, an American citizen connected with the Christian and Missionary Alliance. In this connection, reference is made to my telegram of today's date, 10 a.m., reporting the burning of the mission property. From the affidavits in Reverend Lang's possession, there appears to be little doubt but that the destruction of the mission property, which was said to be well identified as American property, was deliberate.

Although the bus service mentioned in the above report has been re-established, the road is said to be in bad condition and unfit for heavy commercial traffic.

Respectfully yours,

For the Consul at Saigon,

  
Charles S. Reed II,  
American Consul.

Original and 2 copies to the Department  
Copies to Embassy, Chungking and Peiping  
Copies to Consulates, Kunming and Saigon  
Copy to Consulate General, Hongkong

800

CSR:csr

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quattrone NARS, Date 12-18-75

NO. 40

*FL*  
*[Signature]*

AMERICAN CONSULATE GENERAL

American Foreign Service, Hanoi, Indochina,  
January 10, 1940.

SUBJECT: Bombing of Yunnan Railway.

1-1408

Division of  
EASTERN AFFAIRS  
FEB 5  
*[Handwritten initials]*

RECEIVED  
DEPARTMENT OF STATE

FEB 5 12 26  
1940

THE HONORABLE

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

SECRETARY OF STATE,

WASHINGTON.

U.S.A.  
*[Handwritten: Read, OVI. MID, MAR 5]*

793.94

I have the honor to refer to my despatch no. 34  
of December 31, 1939/<sup>15405</sup> and to my telegrams of January  
2, 4 p.m./<sup>15573</sup> and January 9, 12 noon, 1940/<sup>15591</sup> in regard to  
the bombing of the Indochina-Yunnan Railway. On this  
date, through traffic to Kunming has been canceled and  
there has been no definite statement as to when such  
traffic will be resumed. As one high railway official  
informed me yesterday, it is not so much a question

DEPARTMENT OF STATE  
ASSISTANT SECRETARY  
OF STATE  
MAR 5 1940  
*[Handwritten initials]*

as to when the necessary repairs can be effected but  
it is rather a question whether the Japanese will  
continue their attacks.

For a time it appeared that the French were about  
to take the protection of the railway into their own  
hands, instead of waiting for the Chinese National  
Government or the Yunnan Provincial Government to take  
up this duty. It is understood that following the  
bombing on January 2, 1940, which caused several  
landslides and temporarily disrupted traffic, three  
batteries of anti-aircraft guns were despatched from

Haiphong

793.94 / 15652  
1940

MAR - 9 1940

F / FG

AIR MAIL

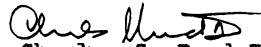
- 2 -

Haiphong to the so-called "lace bridge" at 82.9 kilometers from the Indochina frontier. It is also understood that, although the guns actually arrived at that point, they were not used during subsequent raids. At the present time, the Indochina Government is said to have forwarded an energetic demand to the Chinese National Government to afford protection to the railway.

There appears to be no question in the minds of the majority of observers but that the bombing is in direct response to the refusal of the Indochina Government to close the frontier to the transit of gasoline and petroleum products to China. There is also considerable comment that General Suchihashi resented Governor General Catroux's refusal to allow him to proceed to Dong Dang and also the latter's refusal to discuss the question of the transit of gasoline and petroleum products (my despatch no. 33 of December 27, 1939), and that the bombing was the Japanese expression of resentment. Whatever the motivating cause, the fact remains that the Japanese have temporarily blocked an important route of transportation to China.

Respectfully yours,

For the Consul at Saigon,

  
Charles S. Reed II,  
American Consul.

Original and 2 copies to the Department  
Copies to Embassy, Chungking and Peiping  
Copies to Consulates, Kunming and Saigon  
Copy to Consulate General, Hongkong

815.4

CSR:csr

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Shusterman NARS, Date 12-18-75

NO. 44

AMERICAN CONSULATE GENERAL

American Foreign Service, Hanoi, Indochina,  
January 17, 1940.

SUBJECT: Bombing of Yunnan Railway and  
Resumption of Traffic.

RECEIVED  
DEPARTMENT OF STATE

1940 FEB 5 11 12 21 AM

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

THE HONORABLE  
SECRETARY OF STATE,

WASHINGTON.

Red  
MAR 8 1940  
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793.94

I have the honor to refer to my despatches nos. <sup>15605</sup> 34 and 40 of December 31, 1939, and January 10, 1940, in regard to the bombing of the Indochina-Yunnan Railway, and to submit, as of possible interest to the Department, the salient features of the bombing as outlined by a high official of the railway. It is possible of course that the Consulate at Kunming has reported the same information.

The first bombing took place on December 30 and 9 planes participated in the raid. Several places were bombed but there was no damage. The second bombing took place on January 1, 27 planes being counted, but only minor damage was reported. One Chinese was killed at the so-called "lace bridge" at 82.9 kilometers from the Indochina frontier. On January 2, 27 planes again bombed various sections of the line and caused damage necessitating a 3 hour repair. Landslides, caused by bombs hitting above the right of way, made several short transshipments necessary. The fourth bombing took place on January 4 and resulted in additional landslides

DEPARTMENT OF STATE  
A.M./C  
FEB 11 1940  
ASSISTANT SECRETARY

FE  
JHC

M VAA

793.94/15655

RECORDED

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AIR MAIL

- 2 -

landslides, but no great damage was done to the bridge objectives. Again, 27 planes were counted. The next raid, on January 5, resulted in the partial destruction of an important bridge at 235 kilometers from the Indochina frontier. This is a 50 meter bridge. It is reported that during this raid, as during the next one, much heavier bombs were used than during previous raids. During this bombing 38 planes were noted. The final bombing, on January 7, in which 36 planes participated, resulted in damage to the "lace bridge", a crescent-shaped bridge 120 meters long and 85 meters high.

The Indochina-Yunnan Railway officials estimate that the damage to the railway amounts to approximately U.S.\$5,000, but an American observer considers this estimate too conservative. The estimate does not include losses of freight revenue during the period of repair.

It is said that two types of planes were used by the Japanese, both navy land planes, a standard Mitsubishi bomber and a model 97 Mitsubishi bomber. This latter is said to be a comparatively new type, twin motors, a top speed of 467 kilometers per hour, a cruising range of 2,800 kilometers, and carrying 1,200 kilos of bombs. This information as to types of planes may be inaccurate as an informant in Kwangsi stated that he observed tri-motor planes en route to the bombing of the railway. The base for the planes is understood to be off the coast of Kwangtung. One source of information states that the flying field at Nanning has been restored and, if this field is used in subsequent raids, the effective range of the Japanese bombers will be increased by about 200

kilometers

AIR MAIL

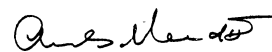
- 3 -

kilometers. One outstanding comment regarding the bombing of the railway is to the effect that the great majority of Japanese bombs showed extremely poor fragmentation.

On January 13 it was announced officially that service for passengers and for cases and packages not exceeding 40 kilos in weight had been resumed. Two transshipments, at kilometers 82.9 and 235 (the two bridges), were necessary. Restoration of through freight traffic, as in normal times, was said to be a question of at least three weeks. The great question is, however, the resumption of bombing activity by the Japanese, and this is presaged by reports that Tokyo has broadcast its intention to continue the bombing unless its demands for the cessation of arms and munitions (including gasoline and petroleum products) traffic are met.

Respectfully yours,

For the Consul at Saigon,

  
Charles S. Reed II,  
American Consul.

Original and 2 copies to the Department  
Copies to the Embassy, Chungking and Peiping  
Copies to Consulates, Kunming and Saigon  
Copy to Consulate General, Hongkong

815.4/877

CSR:csr

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Gustafson NARS, Date 12-18-75

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

February 8, 1940

~~TOP~~  
~~SECRET~~  
RCM

Yunnanfu's 17, January 17. Most of the information in this despatch has been rendered obsolete by more recent bombings. You may care to read last paragraph (beginning middle of page 2.)

*JP*  
FE:Penfield



DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Dunlap NARS, Date 12-18-75

No. 17

ORIGINAL

*FE*  
*JEK*

AMERICAN CONSULATE

Yunnanfu, China, January 17, 1940.

RECEIVED  
DEPARTMENT OF STATE

1940 FEB 5 PM 12 19

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

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RECORDING DESK  
FILE-C.S.

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DEPARTMENT OF STATE  
*m* *1144*

PERKINS  
In U.S.A.     
CNI-MID-Treasury

SUBJECT: Traffic Conditions on the Yunnan  
Railway.

MAR 1 - 1940

793-94

DEPARTMENT OF STATE  
FEB 13 1940  
A-M/C  
3-1  
ASSISTANT SECRETARY  
OF STATE

Honorable  
The Secretary of State,  
Washington.

793.94/15654

I have the honor, with reference to the Consulate's  
telegram of January 13, <sup>15599</sup> 10 a.m. to the Embassy, Chungking,  
to supply additional data concerning traffic conditions  
on the Yunnan Railway.

Local railway officials stated today that express  
freight (grande vitesse) shipments are now accepted for  
parcels up to 40 kilograms, although heavy freight  
traffic is still impeded by the necessary transfer across  
the break at Hsiaolungtan. Passengers may take with  
them all baggage desired within reasonable limits,  
these officials state.

The

F/EG

FEB 7 1940

-2-

The break in the railway at kilometer 83 is being rapidly repaired, according to the local director of the railway, and normal transportation is expected to be resumed at this point within a fortnight. My informant stated further that approximately one month's time would be necessary for the restoration of the bridge at Hsiaolungtan. However, it is hoped to make use of propelled cars for crossing the bridge before that time.

A reported difficulty in affecting rapid repairs and in the transfer of cargo across breaks in the line is the shortage of coolie labor, a problem which may become serious should continued attacks be made on the railway.

The most immediate problem arising from the disruption of traffic is an impending shortage of gasoline. While the question of supplies for official transportation is not believed to be critical at this time, there is considerable anxiety concerning future arrivals. It is reported that a ration system for private consumption of gasoline is to be instituted in Yunnanfu. There is some speculation as to the feasibility of transporting gasoline over the Burma highway as an alternative source of supply. A basic difficulty, of course, is the high rate of consumption by the carrier of its own cargo. It is estimated by one local foreigner with wide experience in transportation that the trip Yunnanfu-Lashio and return requires roughly 250 gallons of gasoline, or slightly less than five drums. The economics of this plan may be judged when it is considered that

truck

-3-

trucks on this road carry six drums per capacity ton,  
although for the return journey the fuel burden would  
naturally be alleviated.

Respectfully yours,

*Troy L. Perkins*  
Troy L. Perkins,  
American Vice Consul.

In quintuplicate to Department, (Original by airmail)  
Copy to Embassy, Peiping.  
Copy to Embassy, Chungking.  
Copy to American Consul, Hanoi.  
Copy to Consulate, Rangoon.

877  
TLP:Epy

No. 46

AMERICAN CONSULATE GENERAL

American Foreign Service, Hanoi, Indochina,  
January 22, 1940.

SUBJECT: Japanese Occupation of Nanning, Indochina

Division of  
Foreign Affairs  
FEB 5 - 1940  
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FEB 12 2 21 PM '40  
DIVISION OF  
COMMUNICATIONS  
AND RECORDS

THE HONORABLE  
THE SECRETARY OF STATE,  
WASHINGTON.

M  
Reed  
USA  
ONI 4 MID  
MAR 1 1940

SIR:

93-94

I have the honor to refer to previous reports and telegrams in regard to the Japanese occupation of Nanning and to submit, as of possible interest to the Department, the following information in regard to Nanning and Kwangsi which has been made available by Mr. Leclare E. Reed, an American missionary, who was in Nanning at the time of the Japanese occupation on November 24, 1939, and who left Nanning to return to Hongkong on January 15.

DEPARTMENT OF STATE  
FEB 11 1940  
A/M/C  
ASSISTANT SECRETARY OF STATE

Mr. Reed reported that the Japanese have restored the air field at Nanning and that, at the time of his departure, at least 50 Japanese planes were stationed there, mostly pursuit ships. Mr. Reed added that Chinese planes appeared over the air field on two occasions, the first time endeavoring to bomb the field but dropping their bombs on a neighboring village and killing 5 Chinese, the second time being driven away before dropping their bombs. Japanese activities around the air field seemed to indicate the establishment of a large air base.

He

795.94/15655

FEB 1940

F/FG

AIR MAIL


- 2 -

He commented that the conduct of the Japanese in Nanning was good. For the first few days a certain amount of license was allowed the soldiers, but as the great majority of Chinese had evacuated the city there was not much scope for this license. Every effort was made to protect foreign property and to assure the safety of the foreigners in Nanning. Food was available at all times, the electric light plant functioned continuously, and the water works, destroyed by the Chinese, was restored within a month.

There was almost continuous fighting to the north and guerrilla activities between Nanning and the coast kept the Japanese busy. In proceeding to Indochina, a trip which took 5 1/2 days, Mr. Reed crossed the Chinese lines. He was told by one Chinese officer that the Chinese planned extensive guerrilla tactics rather than a sustained major offensive. Mr. Reed said that he was impressed by the cheerfulness and optimism of the Chinese, as much as he was impressed by the apparent Japanese determination to hold Nanning and to prevent the Chinese from using Kwangsi as a route of supply to the Chinese Government.

Respectfully yours,

For the Consul at Saigon,

  
Charles S. Reed II,  
American Consul.

Original and 2 copies to the Department  
Copies to Embassy, Chungking and Peiping  
Copies to Consulates, Kunming and Saigon  
Copy to Consulate General, Hongkong

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CSR:csr

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quastler NARS, Date 12-18-75

*FE*

**TELEGRAM RECEIVED**

RFP

GRAY

Tokyo

FROM

Dated February 6, 1940

REC'd 1:07 a.m.

Secretary of State  
Washington

*A J C*  
*P* FAR EASTERN AFFAIRS  
FEB 6 - 1940  
Department of State  
*M J* COPIES SENT TO  
O.N.I. AND I.D.  
*edz*

86, February 6, 11 a.m.

My French colleague addressed an aide memoire to the Japanese Government yesterday protesting against the renewed bombing on February 1 of the Yunnan Railway. The document states that the casualties to date resulting from this attack amounted to 40 dead, of whom 5 were French, and 185 wounded Annamites and Chinese; also that (was?) the attack it aggravated by the fact that on the outward and on the return journeys the Japanese airplanes flew over Indo-Chinese territory. He reserves the right to claim indemnity.

*793.94*

793.94/15656

GREW

CFW:ROW

F/FG

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Shusterman NARS, Date 12-18-75



EMBASSY OF THE  
UNITED STATES OF AMERICA  
Chungking, November 14, 1939.

No. 379.

Subject: Transmission of Copy of Pamphlet,  
"Three Weeks of Canton bombings",  
Published by Council of Inter-  
national Affairs, Chungking.

793.94  
note  
793.94116

Division of  
FAR EASTERN AFFAIRS  
FEB 6 - 1940  
Department of State

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COMMUNICATIONS  
AND RECORDS

For Distribution Check  
To U.S.A.

DEPARTMENT OF STATE  
DIVISION OF  
COMMUNICATIONS AND RECORDS  
PUBLICATIONS SECTION  
FEB 6 1940

793.94/15657

The Honorable  
The Secretary of State,  
Washington.

Sir:

I have the honor to enclose, as of possible interest  
1/ to the Department, a copy of a pamphlet entitled "Three  
Weeks of Canton Bombings", by Dr. Shuhsi Hsu, prepared  
under the auspices of the Council of International Affairs,  
Chungking. Two copies of this pamphlet have been received  
by the Embassy from the Department of Intelligence and  
Publicity of the Ministry of Foreign Affairs under cover  
of a communication dated November 8, 1939.

FILED  
FEB 21 1940

Respectfully yours,

*Nelson Trusler Johnson*  
Nelson Trusler Johnson.

Enclosure:

15657 F/1

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

- 2 -

Enclosure:

✓ 1/ Copy of pamphlet  
as stated.

Original and four copies to Department  
(Enclosure with original only)  
Copy to Peiping with enclosure.

020/711.6

TEW:MCL



DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Hunt NARS, Date 12-18-75

*Handwritten initials/signature*

No. 589

AMERICAN CONSULATE GENERAL  
Hong Kong, January 10, 1940

RECEIVED STATE DEPARTMENT OF STATE  
940 FEB 5 PM 1 43  
DIVISION OF COMMUNICATIONS AND RECORDS

Division of EASTERN AFFAIRS  
FEB 6 - 1940  
AAA

Destruction of Canton-Kowloon Railway for several miles beyond Kowloon frontier is reported as serious.

793.94  
note  
893.77

THE HONORABLE

THE SECRETARY OF STATE For *M*  
WASHINGTON, *Southard*

Stamp: RECEIVED IN U.S.A. with checkmarks

SIR:

DEPARTMENT OF STATE  
ASSISTANT SECRETARY  
FEB 14 1940

I have the honor to report that since the recent evacuation by the Japanese of the Kowloon-Kwangtung frontier zone there has been opportunity for the first-hand examination of that area by Hong Kong observers. Some of those who have visited the territory beyond the frontier report serious damage to the permanent way of the Canton-Kowloon railway resulting from the tearing up and removal of ties and rails for a distance of several miles from Shumchun on the frontier. As typical of the more pessimistic reports on this subject in circulation in Hong Kong there is herewith enclosed a copy of an article which appeared in the issue of January 8th, 1940, of the HONG KONG TELEGRAPH.

1/

An averaging of information collected from various sources indicates that the enclosed article may give a more pessimistic picture of the situation than is justified. There would also appear to be considerable doubt as to whether the Japanese, as charged by the TELEGRAPH

article

795.94/15658

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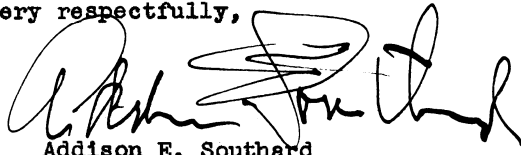
15658

- 2 -

article, or the Chinese themselves, tore up the railway ties for firewood and other uses. There is, however, no doubt that considerable repair work, and even some reconstruction, will be required to restore this section of the railway for traffic use.

This report is submitted mainly in elaboration of the brief reference made in the Consulate General's telegram No. 10 of January 8th, 2 p.m., to destruction of the Canton-Kowloon Railway for some miles beyond the frontier.

Very respectfully,



Addison E. Southard  
American Consul General

Enclosure:

1/ Copy of article in the HONG KONG TELEGRAPH  
January 8, 1940

In quintuplicate to the Department  
Copy to American Consulate General, Canton  
Copy to Embassy, Chungking  
Copy to Embassy, Peiping

800.

AES/nmm

Enclosure No. 1 to Despatch No. 589, dated January 10, 1940, from Addison E. Southard, American Consul General, Hong Kong, on the subject: Destruction of Canton-Kowloon Railway for Several Miles beyond Kowloon Frontier is reported as Serious.

HONG KONG TELEGRAPH

January 8, 1940

C. K. R. MAY NOT RUN FOR YEARS

The Chinese section of the Kowloon Canton Railway is rapidly disappearing. Thousands of railway sleepers have been uprooted along the entire section between Shum Chun and Sheklung and it will probably be years before traffic will run on the line again.

For some reason that cannot be fathomed, the Japanese, using conscripted Chinese labour, tore up the sleepers between Shum Chun and Pokut.

These sleepers were transported across to Manchau by military trucks, and were transferred there to Japanese transports.

The line between Pokut and Cheungmuktau has been destroyed by the Chinese guerillas.

Peasants have been urged to use the sleepers for firewood. It is noteworthy that, before the war, this was an offence punishable by death in China.

Although the Japanese have removed the hardwood sleepers between Shum Chun and Pokut, they have not taken the steel rails. This adds to the mystery in view of the well-known shortage of steel in Japan.

North of Pokut the rails as well as the sleepers have been removed.

It is stated that the Chinese have utilised the rails to construct a miniature Maginot Line of steel pillboxes in the Cheungmuktau area.

Although

- 2 -

Although the railway has been damaged to an almost irreparable extent, the Japanese have improved communications in many respects; this presumably for military purposes.

The highway between Shum Chun and Namtau is in first class condition for the first time since it was constructed, and it is possible for motor cars to ply between the two border cities on a highway which is stated to vie with those in Hongkong territory.

When the bridges across the Shum Chun river are repaired and permits are issued for cars to cross the border, it will be possible for the first time, for cars from Hongkong to travel through to Namtau.

A correct  
copy  
MM

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quastler NARS, Date 12-18-75

Division of FAR EASTERN AFFAIRS  
FEB 12 1940 RECEIVED  
DEPARTMENT OF STATE  
February 6, 1940  
ADVISER ON POLITICAL AFFAIRS  
MR. HORN  
FEB 6 - 1940  
DEPARTMENT OF STATE

*Copies sent informally  
to Mr. Grew and  
Mr. Johnson 3/1/40*

*PAH*

*F.W. 793.94/15659*

UNDER SECRETARY OF STATE  
FEB 10 1940  
MR. WELLES

AMBASSADOR JOHNSON'S OBSERVATIONS IN REGARD TO HIS  
JOURNEY TO HANKOW -- QUESTION OF MAKING  
PUBLIC CERTAIN OF HIS COMMENTS

Reference the Ambassador's February 5, 6 p.m.,  
from Shanghai. *793.94/15659*

As Consul General Gauss made a similar journey  
with Admiral Yarnell in January 1939, it is of interest  
to review Mr. Gauss' observations for the purpose of com-  
paring conditions then with present conditions as found  
by Ambassador Johnson.

1. Mr. Gauss reported (Shanghai's 70, *893.811/1080* January 24,  
8 p.m., 1939) that according to information received  
during his journey, (a) while the Japanese held the  
river and the towns on the river, they had not penetrated  
deeply into the country off the main lines of communica-  
tion, the river town garrisons were small and seldom  
ventured far from the towns, the interior had been  
largely shut off from ready access to the towns, and  
the situation was more or less at a standstill; (b)  
numerous Japanese military transports and supply ships  
were passing up and down the river; (c) the Chinese were  
gradually returning to the towns and ports because of  
lack of means to support themselves longer in the  
interior

F.W. 793.94/15659

FEB 11 1940

F/FG

-2-

interior and because of bandit and guerrilla activities and the population was about two-thirds normal at such places; (d) puppet municipal régimes were beginning to function and provide limited police and other services; (e) shops and minor business activities were resuming on small scale, but there was no substantial trade and residents of the ports lived a more or less hand-to-mouth existence (this was true also of Japanese residents in Nanking); (f) while there appeared no good reason why foreign commercial navigation should not be permitted by the Japanese, there appeared little likelihood of developing substantial trade on the river because crops could not move freely from the interior or stocks be distributed in the interior before the military situation in the vast areas behind the river ports should be solved.

2. Mr. Johnson reported that (a) the Yangtze to Yochow is under Japanese army control and the only movement between its mouth and Yochow is with Japanese military permission; (b) the Yangtze is dead commercially except for movement of cargo on Japanese vessels of various types including some sixty ocean-going steamers of from 2,000 to 3,500 tons seen on the journey and an estimated 5,000 small Diesel-engine wooden vessels -- practically all manned by crews wearing military

uniforms

-3-

uniforms, and except for a few small Chinese junks; (c) booms and other obstructions in the river placed there by Chinese have been largely removed and from the point of view of navigation the river is safe for commercial shipping, there being no apparent reason for Japanese military restrictions on foreign trade and shipping other than that such restrictions have been imposed for the purpose of squeezing out non-Japanese traders and non-Japanese trade developed throughout a period of many years; (d) by forced sale or otherwise, the Japanese military are acquiring and shipping downriver in military vessels for their own account all of the exportable products of the region adjacent to the river, such as vegetable oils, grass, china, sugar, cotton, silk and rice; (e) the stocks of American oil companies had been exhausted before control of the river passed into the hands of the Japanese and since that time these companies have not been permitted to import for their own account; while American purchasers of Chinese products have been able to move out the stocks which they had on hand, they have not been permitted to purchase any stocks; even if American goods were permitted to be shipped to places along the river, they would not at present find a market or any but Japanese-controlled distributors; (f)

although

-4-

although there is an atmosphere of uneasiness and uncertainty in American mission circles, American missionaries have been able to continue their religious and charitable activities and there has been thus far evidence of a desire on the part of the Japanese military to be considerate of the personal needs of Americans; (g) the Chinese national dollar is the currency of the Chinese throughout the area of the river, Japanese military script being used almost entirely by Japanese, and eventually the scarcity of good currency and the impoverishment of the region as a result of ruthless Japanese exploitation and seizure of goods will doom the Japanese attempt to dominate the Yangtze commercially to failure, and restoration of markets and distributing agencies will not be effected until freedom of action returns to the Chinese traders as a result of the complete withdrawal of Japanese military forces; (h) effective Japanese control over the river extends but little over adjacent regions south except along highways, railroads, and canals; guerrilla activity continues in some areas on either bank; in many of the river towns whole blocks of buildings have been demolished by Japanese military merely to obtain fuel wood; and less than fifty percent of the normal population remains in the great cities of Hankow, Wuchang, Kiukiang,



-5-

Kiukiang, and Wuhu, which, together with Anking, have been partially devastated and Anking has been reduced from 120,000 to 5,000 inhabitants; and (1) politically, Japanese military control throughout the valley extends only within rifle range of communication lines and in the immediate neighborhood of garrisons, the local population has no interest in the projected Wang Ching-wei régime, agencies of the Chinese National Government function and collect taxes on both banks except in the vicinity of Japanese military posts, and taxes are paid to guerrilla régimes by Chinese residents who are registered with the Japanese military.

3. The conditions which Mr. Johnson describes in February 1940 bear a striking resemblance to those Mr. Gauss described in January 1939. Japanese control over the regions adjacent to the river does not seem to have been materially extended and the conditions obtaining in those regions do not appear to have improved during that time. In regard to the projected partial opening of the river, Mr. Johnson states in his February 5, 7 p.m., from Shanghai that this question will be subject to interpretation by the Japanese military locally of what they consider to be the military exigencies of the situation and that the essential point is that the  
river

-6-

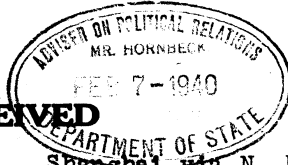
river is controlled as a military line of communications. Also in that telegram Mr. Johnson expresses doubt as to the wisdom of making public in Shanghai any of his comments. He expresses his doubts twice in a short telegram and it is accordingly suggested that publication of his comments be withheld at least for the time being and that, if it should be decided later on to make public some of the material contained in his report, such material not be attributed to him, as, stationed in Chungking and from time to time traveling on the Yunnan railway, irresponsible Japanese military might be moved to attempt some "retaliation" which might affect Mr. Johnson's personal safety.

*m. m. h.*

*GA*  
FE: Acheson: HJN/HES/MHP

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton O. Gustafson NARS, Date 12-18-75

**028**  
**TELEGRAM RECEIVED**



*FL*

HSM  
This telegram must be  
closely paraphrased  
before being communi-  
cated to anyone. (Br.)

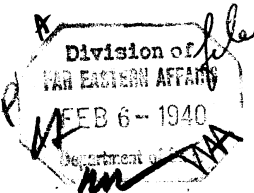
FROM

Shanghai via N. R.

Dated February 5, 1940

Rec'd 9 a. m.

Secretary of State,  
Washington.



*Shanghai via N. R.*

*FE memo 2.6.40*

February 5, 6 p. m.

I have just completed a trip on the Yangtze River from the mouth of the Whangpoo to Hankow and back accompanied by Military Attache Mayer, Naval Attache Overesch, Assistant Naval Attache McHugh and Consul Lafoon. We traveled as guests of Admiral Glassford on U.S.S. LUZON and stopped at Chingkiang, Nanking, Wuhu, Anking, Kiukiang, Huangshihkong and Sankiangkow to deliver packages and mail to Americans and to give us an opportunity to visit and talk with Americans.

Following comments are made as a result of personal observation and conversations en route:

The Yangtze River from its mouth to Yochow is controlled by the Japanese army as a line of military communication. This control is exercised by means of occasional small garrisons ashore, river patrol vessels and maintenance of station ships. Nothing moves on the river between points mentioned except with the permission of the Japanese army. (END SECTION ONE).

JOHNSON

DDM

793.94/15659

F/FG

*793.94*  
*893.811*  
*793.94-2*

## TELEGRAM RECEIVED

029

hsm  
This telegram must be  
closely paraphrased  
before being communi-  
cated to anyone. (Br.)

FROM Shanghai via N. R.

Dated February 5, 1940

Rec'd 9 a. m.

Secretary of State,  
Washington.

February 5, 6 p. m. (SECTION TWO).

River is commercially dead, there is a complete absence of Chinese and foreign shipping except for a few small junks and traveling between villages and larger towns. All Chinese merchants of substance and bankers have disappeared. The only shipping on the river consists of Japanese naval gunboats, army transports and numerous diesel engine vessels, most of them small wood ships of a type seen in the Inland Sea of Japan. At one time it was estimated that there were perhaps 5,000 of these on the river. They carry military supplies and cargo. All vessels of whatever types are controlled by the army most if not all of them being manned by men in army uniform. Not a single naval vessel of combatant value to a fleet is used on this duty. Only obsolete cruisers, gunboats, and patrol boats were sighted between Shanghai and Hankow. (END SECTION TWO).

JOHNSON

C3B

030

**TELEGRAM RECEIVED**

HSM

This telegram must be  
closely paraphrased  
before being communi-  
cated to anyone. (Br.)

Shanghai via N. R.

Dated February 5, 1940

FROM

Rec'd 2:20 p. m.

Secretary of State,

Washington.

February 5, 6 p. m. (SECTION THREE).

Except for this very real and effective control over the river and the traffic which it serves, the Japanese army has but little control over areas or south of the river, except along railroads, highways and canals, that extend back from the river. Chinese life carries on as usual except that there are areas on either bank in which there has been guerrilla activity, and here ruthless destruction has been carried out by the Japanese as punishment for damage done to Japanese shipping or to Japanese personnel. The great cities of Anking, Wuhu, Kiukiang, Wuchang and Hankow have been partially devastated and the former enterprising population widely dispersed. In many of the towns along the river Japanese military has demolished whole blocks of buildings just to obtain wood for fuel. Less than 50 percent of the normal population remains, Anking has been reduced from 120,000 to 5,000. Large parts of these riparian towns have been staked out by the Japanese army and navy as military zones for the exclusive use of Japanese. (END SECTION THREE).

HPD

JOHNSON

TELEGRAM RECEIVED

031

RFP

This telegram must be closely paraphrased before being communicated to anyone. (br)

FROM Shanghai via N. R.  
Dated February 5, 1940  
Rec'd 11:06 a.m.

Secretary of State  
Washington

February 5, 6 p.m. (SECTION FOUR)

Currency throughout area of river is the Chinese national dollar. Japanese military scrip is used almost entirely among Japanese. Scrip has been used to obtain supplies and goods under forced sale but Chinese quickly dispose of scrip for national currency. Japanese military are acquiring by forced sale or otherwise all of the exportable material such as cotton, silk, rice, china, grass, sugar, vegetable oils, and shipping it down river in military ships for their own account. Material which they are acquiring consists for most part of accumulated stocks of the past year and a half. When these stocks have been absorbed it is expected the Japanese will begin to find difficulty obtaining new stocks unless they are prepared to offer better terms or better money. (END SECTION FOUR)

JOHNSON

CSB

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Chas. [unclear] NARS, Date 12-18-75

HSM **TELEGRAM RECEIVED** Shanghai via N. R.  
This telegram must be \_\_\_\_\_ Dated February 5, 1940  
closely paraphrased  
before being communi-  
cated to anyone. (Br.) FROM Rec'd 11:08 a. m.

Secretary of State,  
Washington.

February 5, 6 p. m. (SECTION FIVE)

American oil companies had exhausted all stocks before Japanese obtained control of river and have not been permitted to import for their own account since. American buyers of Chinese products have been able to get out stocks on hand but have not been able to purchase new stocks.

There is evidence of a desire on the part of the Japanese army thus far to be considerate of the personal wants and comforts of Americans. American missionaries furthermore have been allowed to carry on their charitable and religious work. (There is, however, an atmosphere of uncertainty and uneasiness about this situation and there is no tangible assurance that the attitude displayed by the Japanese toward Americans to date has been genuine or other than an attempt to placate public opinion in the United States and to pit us against other foreigners in China who have not been treated thus. (END SECTION FIVE).

JOHNSON

CSB

033

HSM **TELEGRAM RECEIVED** Shanghai via N. R.  
This telegram must be  
closely paraphrased \_\_\_\_\_ Dated February 5, 1940  
before being communi-  
cated to anyone. (Br.) Rec'd 12:03 p. m.  
FROM

Secretary of State,  
Washington.

February 5, 6 p. m. (SECTION SIX).

Politically the Japanese military have no control  
whatever throughout valley except in immediate neighbor-  
hood of garrisons and within rifle range of lines of  
communication. There is no interest among local Chinese  
population in much discussed Wang Ching-wei plans which  
if established will merely serve as pseudo-legal heir  
to business monopolies now functioning as adjunct to  
military operations. Chinese native nationalist regime  
functions and collects taxes on both banks of river except  
in neighborhood of Japanese garrisons and Chinese residents  
registered with the Japanese military pay taxes to guerilla  
regimes that dot the countryside. (END SECTION SIX).

JOHNSON

DDM



034

**TELEGRAM RECEIVED**

HSM  
This telegram must be  
closely paraphrased  
before being communi-  
cated to anyone. (Br.)

FROM Shanghai via N. R.  
Dated February 5, 1940  
Rec'd 1:21 p. m.

Secretary of State,  
Washington.

February 5, 6 p. m. (SECTION SEVEN).

Navigationally the river is safe for commercial shipping, and I find it difficult to understand continued Japanese army restrictions upon foreign trade and shipping except on the theory that such military restrictions are maintained with intent to squeeze out non-Japanese and compel them to relinquish at a ~~trading~~ <sup>sacrific</sup> trading facilities built up over long period of years. At least sixty small ocean-going steamers of from 2,000 to 3,500 tons were observed during the voyage. Chinese booms and obstructions have been largely removed. (END SECTION SEVEN).

JOHNSON

C3B

035

### TELEGRAM RECEIVED

HSM

This telegram must be  
closely paraphrased  
before being communi-  
cated to anyone. (Br.)

FROM

Shanghai via N. R.

Dated February 5, 1940

Rec'd 2:18 p. m.

Secretary of State,  
Washington.

February 5, 6 p. m. (SECTION EIGHT).

Commercially, the Japanese attempt to dominate the Yangtze River is doomed to failure. Temporary benefits are derived by the purchase of certain commodities with worthless military scrip. The use of legal yen is even prohibited. To date the Chinese are able to exchange this scrip back to old Chinese currency. Eventually and rapidly, however, the scarcity of good currency and the impoverishment of the Japanese controlled areas through seizure of goods and ruthless exploitation will create a serious condition. (END SECTION EIGHT).

JOHNSON

PEG

TELEGRAM RECEIVED

036

HSM  
This telegram must be  
closely paraphrased  
before being communi-  
cated to anyone. (Br.)

FROM Shanghai via N. R.  
Dated February 5, 1940  
Rec'd 2:13 p. m.

Secretary of State,  
Washington.

February 5, 6 p. m. (SECTION NINE).

American goods, even if permitted to be shipped in, will find neither a market to absorb them nor other than Japanese controlled distributors who will, as a matter of policy, discriminate against their distribution. Only the complete withdrawal of the Japanese military with consequent freedom of action of Chinese markets will restore either the market or distributing agencies.

Repeated to Chungking, Peiping, Hankow. Peiping air mail to Tokyo.

Paraphrase by pouch to Commander in Chief Asiatic Fleet. Naval and military attaches request their Departments be informed. (END MESSAGE).

JOHNSON

CSB

**MICROCOPY**

**976**

**ROLL**

**89**

**END**

