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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 35

1930-39

793.94/8501-8757
Dec. 1936-July 1937



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

WASHINGTON: 1975

NATIONAL ARCHIVES MICROFILM PUBLICATIONS

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

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.

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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 21, 1937.

~~END:~~
~~WOST:~~
~~MMH:~~

There are appended three despatches from Tokyo which recount in narrative form developments in Sino-Japanese relations. As these despatches cover events which have been reported to FE from other sources you will probably not wish to read them.

The first and second despatches discuss in some detail the contradictory evidence whether or not Japan was involved in the Suiyuan affair. On the one hand the Kwantung army issued a statement that Japan and "Manchukuo" are joint defenders against communism, particularly in China; that the Inner Mongolian army has taken action only to check the Chinese communists; that the Kwantung army therefore hopes for success for the Mongols; and that the Kwantung army will be forced to take "adequate measures" in consequence of the Suiyuan situation if a situation should arise exposing China to the danger of becoming communist. Moreover, the premier of "Manchukuo" gave out a statement in his capacity as head of the Kyowakai, sole political party in "Manchukuo", in which he pronounced the Inner Mongols' crusade the cause of

justice

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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

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justice and announced that the Kyowakai would take contributions from the public for them. On the other hand, while the Kwantung army is admittedly sympathetic to the Inner Mongolian forces, it has consistently claimed that it lent no direct assistance to the Mongolian forces. Furthermore, the Japanese Foreign Office issued a statement to the effect that while Japan is concerned with the situation in areas adjoining "Manchukuo", the clash between the Inner Mongolian and Suiyuan forces "is a matter between themselves, with which Japan has nothing to do".

News of the detention of Chiang Kai-shek in Sian was received in Japan with mixed feelings and uncertainty as to the proper course for Japan to follow in the circumstances. The strong anti-communist sentiment in Japan made it easy for the public to condemn Chang Hsueh-liang's action, but at the same time it was not easy for the Japanese to sympathize unreservedly with Chiang Kai-shek who has never been loved in Japan. The most important result in Japan of the Sian incident was that the accumulating pressure for the overthrow of the Hirota Cabinet was sharply relieved. The Cabinet was able to point out that Chang's coup showed the active menace of communism in China, and

that

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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

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that, therefore, the Government had acted with wisdom in concluding the much debated agreement with Germany.

The last despatch points out that there is in Japan an increasing conviction that Japan needs but one principle in dealing with China: to oppose any movement in China which is definitely communist and to assist any movement in China which is definitely anti-communist. Increasingly policy toward China appears as simply part of the larger question of the Soviet and communist menace.

793.94/8449/8486/8501

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



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

Division of
FAR EASTERN AFFAIRS
JAN 15 1937
Department of State

No. 2208

AMERICAN EMBASSY
Tokyo, December 31, 1936

SUBJECT: SINO-JAPANESE RELATIONS, DECEMBER 17 TO 31, 1936.

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DEPARTMENT OF STATE

1937 JAN 14 PM 2 52

DIVISION OF
COMMUNICATIONS
AND RECORDS

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The Honorable

The Secretary of State,
Washington.

Sir:

In continuation of despatch No. 2190, December 17, 1936, I have the honor to report that, during the past two weeks, no important developments in Japan's relations with China have come to the Embassy's attention, and public comment on the subject has been in the main restrained. News of the release of General Chiang Kai-shek from detention at Sian was received with surprise

but

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

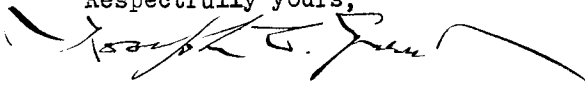
- 2 -

but little editorial comment was provoked. Public opinion appears to continue to look upon Chiang's difficulties as primarily a concern of China's, not Japan's, and there is increasing concentration on the communist aspects of Chinese questions as the fundamental interest of Japan's policy. More and more the idea is taking root that Japan needs but one principle in dealing with China: to oppose any movement in China which is definitely communist and to assist any movement in China which is definitely anti-communist. Increasingly policy toward China appears as simply part of the larger question of the Russian and communist menace.

With the convening of the Japanese Diet on December 24 political maneuvering during the session occupies first interest in the public mind, and China temporarily takes a back place. The Government has not failed, however, to make use, with effect, of arguments from the China field to defend the policy of the present administration. Both the Suiyuan campaign and the Sian incident are cited as proof of the danger of communism in China and consequently as proof of the wisdom of the agreement with Germany against communism.

The influential TOKYO ASAHI published an editorial on December 28 in review of events in China in 1936. The editorial is frankly pessimistic in its view of future relations between Japan and China and anticipates that for a year or two they will become worse and worse. The ASAHI joins in the emphasis on the communist danger as the indicator of Japan's best course in China.

Respectfully yours,



Joseph C. Grew

CC:m
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Copy to Embassies, Peiping and
Moscow.

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



EMBASSY OF THE
UNITED STATES OF AMERICA

Peiping, December 14, 1936.

Subject: Death of General Huang Fu.

No. 917

793.94
note
893.44 Huang Fu

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1937 JAN 14 PM 2 49

DIVISION OF
COMMUNICATIONS
AND RECORDS

Division of
FAR EASTERN AFFAIRS
JAN 16 1937
Department of State

DEPARTMENT OF STATE
ASSISTANT SECRETARY
OF STATE

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

793.94/8502

I have the honor to enclose a copy of despatch
1/ No. 536 of December 8, 1936, from the Consulate
General at Shanghai, in which there is given a
translation of a statement covering Sino-Japanese
issues reported to have been dictated by General
Huang Fu, former high Chinese Government official,
prior to his death on December 6, 1936. In the
statement General Huang advises the Chinese people
to support General Chiang Kai-shek in his work of
rejuvenating the country and advises Japan that

unless

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JAN 26 1937

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


- 2 -

unless it desists from its activities in North China and its support of the bogus regime of "Manchukuo" rapprochement between the two oriental countries will be impossible.

Mr. Gauss states that he believes that General Huang's statement reflects the attitude of the most enlightened Chinese regarding the present Sino-Japanese situation.

Respectfully yours,

For the Ambassador:


F. P. Lockhart
Counselor of Embassy

Enclosure:

1/ Copy of despatch No. 536,
December 8, 1936, from
Shanghai.

Original and 1 copy to the Department.
Copy to American Embassy, Nanking.

844

PWM/rd

310-2

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. 536

ENCLOSURE No. 1
TO DESPATCH No. 917

AMERICAN CONSULATE GENERAL

Shanghai, China.

December 8, 1936.

Subject: Death of General Huang Fu.

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Peiping.

Sir:

I have the honor to report that the death of General Huang Fu, ill for several months with cancer, occurred at Shanghai on December 6, 1936.

A prominent Chinese statesman, General Huang had served in a number of capacities, notably as Minister of Foreign Affairs, as Chairman of the defunct Peiping Political Council, and as Mayor of the Municipality of Greater Shanghai. He was educated in Japan, was extremely conversant with that language, and was generally reputed to be a member of the so-called pro-Japanese "clique" said to exist in the Chinese Government. However, prior to his death he is reported to have dictated a statement covering Sino-Japanese issues, of which the following is a translation:

"I wish to offer a last advice to my countrymen and the neighboring country. When the fate of a country is at stake, a concerted spirit and movement will arise among the people of that country. General Chiang Kai-shek, our present political

leader

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

-2-

leader, is working for the rejuvenation of the country and the people should place their entire trust in him and render him every support. There is no reason for China and Japan, two countries of the same race and culture, to work for the destruction of each other. On the one hand, Japan advocates a policy of rapprochement to screen her mistake, and on the other she is endeavoring to annex North China to defend the bogus state of 'Manchukuo.' This cannot be tolerated by the awakening people of China and will lead to endless disputes which will bring no advantage to Japan. If Japan persists in her present policy, then the so-called 'mutual existence' and 'mutual prosperity' between China and Japan will ultimately culminate in a common disaster to the two countries. As Japan respects the teachings of Confucius, she should abandon her ambition to annex North China and return the Four Northeastern Provinces. This will ensure Sino-Japanese rapprochement, the emancipation of the Asiatic races and the glorification of Oriental civilization to the benefit of mankind."

This statement is believed to reflect the attitude of the most enlightened Chinese relative to the present Sino-Japanese situation.

Respectfully yours,

C. E. Gauss,
American Consul General.

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In Triplicate.

Copy to Embassy, Nanking.

No Copy to Department.

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

January 27, 1937.

~~MSB~~
~~MMB~~

Peiping's despatches Nos. 911 and 924, December 10 and 16, 1936, transmit copies of a number of despatches from Tsingtao in regard to the closing of the Japanese cotton mills in Tsingtao and the landing of Japanese sailors.

The Japanese closed their mills on December 2 and that night about 800 Japanese sailors were landed. Although there was unrest among the Chinese mills workers, Sokobin observed no factors which warranted a general lockout.

The Japanese landing party arrested nine Chinese but released them on December 3. The Mayor of Tsingtao protested "energetically" against the landing of Japanese sailors.

On December 7 the Consul at Tsingtao reported that about 1,000 Chinese marines from Weihaiwei had arrived and marched through the streets of Tsingtao, that the Japanese admiral of the Third Fleet had arrived, and that "apparently negotiations to resolve the situation had commenced".

On

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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

-2-

On December 11, Tsingtao reported the terms of settlement of the difficulty and stated that the Japanese sailors were being withdrawn (see Peiping's No. 606, December 13, 4 p.m., attached hereto, for a summary of the settlement. All Japanese sailors were withdrawn on December 15.)

Sokobin comments that "it does not appear to this Consulate that the closing of the mills was necessary even for a single moment" and that the landing of Japanese sailors was inexplicable. He states that the Chinese seem quite satisfied with the results of their negotiations. A translation of a statement by the Chief of Staff of Admiral Hasegawa, Commander of the Third Fleet, refers to the Tsingtao trouble as "silly" (or stupid) and expresses the hope it will never be repeated.

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



EMBASSY OF THE
UNITED STATES OF AMERICA

No. 924

Peiping, December 16, 1936.

Subject: Situation at Tsingtao - Terms for
the Reopening of the Japanese Mills.

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Division of
FAR EASTERN AFFAIRS
JAN 15 1937
Department of State

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DEPARTMENT OF STATE

1937 JAN 14 PM 3 17

DIVISION OF
COMMUNICATIONS
AND RECORDS

793.94 / 8503

The Honorable

The Secretary of State,
Washington, D. C.

Sir:

I have the honor to refer to the Embassy's
telegram No. 606/⁸⁴³⁶ December 13, 4 p.m., in which
the Embassy stated that the Consulate at Tsingtao
had reported the amicable adjustment of the strike
in the Japanese mills at that place, and to enclose,
for the information of the Department, a copy of
1/ despatch No. 168 of December 11, 1936, from the
Consulate at Tsingtao, upon which the aforementioned
telegram was based.

There are also enclosed for the Department's
information

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- 2 -

- 2/ information copies of prior despatches No. 166 of
3/ December 8 and No. 167 of December 9, 1936, from the
Consulate at Tsingtao on this subject, and of subse-
1 4/ quent despatch No. 169 of December 12, 1936, in which
Consul Sokobin describes the feeling prevailing in
Tsingtao following the settlement of the difficulty.
Of particular interest is the statement reported to
have been issued by the Chief of Staff of the newly
appointed admiral of the Japanese fleet in which he
refers to the closing of the mills and the landing of
marines as "stupid" or "foolish". Attached to the
despatch are translations of Proclamations issued by
the Mayor of Tsingtao and the mill owners on the occa-
sion of the settlement of the strike.

Respectfully yours,

For the Ambassador:


F. P. Lockhart
Counselor of Embassy

Enclosures:

4, as stated.

Original and three copies to the Department.
Copy to American Embassy, Tokyo.
Copy to American Embassy, Nanking.

850.4

PWM/rd

No. 168

924

AMERICAN CONSULATE

Tsingtao, China, December 11, 1936.

Subject: Situation at Tsingtao - Terms for
Reopening of Mills.

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Peiping, China.

Sir:

I have the honor to refer to this consulate's despatch no. 167 of December 9, 1936, file no. 800/850.4, subject: Situation at Tsingtao - Settlement Imminent, and also to refer to this consulate's telegram of December 10, 12 noon, reporting that its latest information was that the mills would immediately make preparations to reopen and that when operations in the mills were again on a normal basis the landing party would be withdrawn.

It is believed that the Chinese authorities feel that they have made a satisfactory settlement under the circumstances. Apparently the Chinese are satisfied that the Japanese will act in good faith and withdraw the bluejackets within a short time after the mills resume work.

Statement of Terms of Settlement

At 3 A. M. today, an "Extra" was issued by one of the local Japanese newspapers bearing the news
that

- 2 -

that a settlement had been reached last night and that the Municipal Administration had completely agreed to the Japanese demands and that the mills would resume work on Monday December 14. This "Extra" gave the terms of settlement as follows (free translation):

1. Punishment of the principal offenders among the bad labor elements who have been discharged.
2. The foregoing bad labor elements to be deported from Tsingtao.
3. Beside the deporting of bad labor elements, a strict watch over and control of other discharged laborers to be exercised by the Chinese authorities. In the event there is a recurrence (of the labor trouble) the Chinese authorities will be held strictly responsible.
4. Instigators of present labor trouble are to be deported.
5. The Chinese authorities are not only not to place obstacles in the way of laborers who wish to resume work, but the authorities by proclamation and other appropriate means are positively to encourage and urge the resumption of work by the laborers.
6. The discharged bad labor elements must not be employed by the Municipal Administration.
7. The Chinese police are to exercise vigilance over bad elements among the laborers so as to preserve peace and order.

The "Extra" also contains a statement by the Japanese Consul General. In brief, the laborers are advised to give thought as to the real cause of the present difficulty and to resume work peacefully. So that there may be no repetition, the root of the trouble should be effectively handled. The bad elements

- 2 -

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3. Beside the deporting of bad labor elements, a strict watch over and control of other discharged laborers to be exercised by the Chinese authorities. In the event there is a recurrence (of the labor trouble) the Chinese authorities will be held strictly responsible.
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7. The Chinese police are to exercise vigilance over bad elements among the laborers so as to preserve peace and order.

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

- 3 -

ments must be swept away and both individuals and organizations making trouble should be stringently controlled. The Japanese feel satisfied that the Chinese authorities will carry out the terms of agreement for the reopening of the mills. Tsingtao has been a notably peaceful place in China; the fact that an incident as serious as the present one occurred, showed that there were malevolent forces at work to disturb this peace. So long as such forces exist, there would be no guarantee of the non-recurrence of disturbances, and accordingly the Japanese would watch fairly and impartially the efforts whereby the Chinese would control the situation.

The amazing feature of the "Extra" however, is that no reference is made to the withdrawal of the landing forces. Whether the omission is deliberate is not known; but because of the natural inclinations of both parties to make face saving agreements, it may be assumed that an understanding has been reached in regard to the withdrawal of the landing forces, the terms of which neither side desires to make public.

If at this date the best settlement that could be reached as far as the mills are concerned is that shown by the seven stipulations given above, it does not appear to this consulate that the closing of the mills was necessary even for a single moment. There is not the slightest reason to believe that the Municipal Administration would not have acted in the best

- 4 -

best faith in clearing Tsingtao of the disturbing elements among the workers. What motivation the mill managements had in closing all nine mills simultaneously is all the more inexplicable. Much more inexplicable are the reasons for the landing of the Japanese bluejackets.

It remains to be seen how long a force of eleven or twelve Japanese men-of-war will remain in this port, and how long after the mills resume operation the landing force will continue to guard the mills. At a time when relations between China and Japan need such fundamental readjustment, the Tsingtao incident must be considered a great setback to those seeking this readjustment. The responsibility therefor would appear to be not China's.

Expansion of Japanese Textile Industry in Tsingtao

Few months have passed wherein this consulate has not in the section "Economic, Commercial and Industrial Activities" of the monthly political report, recorded the expansion of Japanese cotton spinning and weaving mills in Tsingtao. The progress of the Japanese textile industry in this city has indeed been easily the most notable feature of legitimate Japanese economic activity in North China. As recently as November 27, at a meeting in Shanghai of the shareholders of the Shanghai Cotton Manufacturing Company, Ltd., the chairman of the company, in reviewing the year's record, made the following statement:

NEW MILLS

- 5 -

"NEW MILLS IN THE NORTH

Realizing the favourable conditions in which the Tsingtao mills are placed and also the prosperous prospects of industrial enterprise in the Tientsin area in the near future, your board decided to extend our work in North China by installing new mills forthwith both in Tsingtao and Tientsin with a complement of 50,000 spindles and 1,000 looms, and 40,000 spindles and 700 looms respectively. A piece of land measuring about 370 mow was recently procured in Tientsin and building operations in these two places will be started as early as climatic conditions will permit.

In order to bring this new enterprise to fruition it is necessary, therefore, to solicit shareholders' cooperation by furnishing financial assistance to the company, and I now wish to make it known that the board intends to make a call, in the near future of the unpaid portion of the capital, that is, \$25 each on 120,000 new shares already issued, aggregating \$3,000,000. Due notices to shareholders of the new issue, will be sent beforehand, giving ample time."

To the above official report of a single project it may be stated that construction of a new mill for the Toyo Cotton Spinning and Weaving Company of Japan will commence in the spring of 1937. This will be that company's first manufacturing venture in China. At the same time seven of the nine Japanese mills in Tsingtao will undertake extensions ranging in cost from \$300,000 to \$1,000,000, the total amount to be expended reaching the figure of \$6,200,000. It is obvious that the Japanese mills up until the very night of the landing of the Japanese forces did not anticipate nor apprehend any difficulties of such a grave nature as those which caused the closing of the mills and the use of a
landing

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

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landing party.

Anniversary of Retrocession of Tsingtao

Yesterday, December 10, 1936, was the anniversary of the retrocession of Tsingtao to China by the Japanese. Needless to say, the day was very quietly observed here by the Chinese.

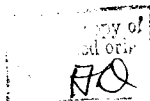
The Japanese press recalled that December 10 marked the anniversary of the retrocession; one paper inquired if the Chinese appreciated the motives of the Japanese in restoring Tsingtao to Chinese sovereignty. A contingent of armed Japanese bluejackets paraded to the Tsingtao Shrine, but as another contingent made a similar parade today, it would appear that yesterday's parade was not purposely held to remind the Chinese onlookers of the events of 1922 and 1936.

Respectfully yours,

Samuel Sokobin,
American Consul.

800/850.4
SS/AD

Original and five copies to Embassy, Peiping,
Copy to Embassy, Nanking,
Copy to Tsinan-Chefoo.



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

No. 166.

ENCLOSURE No. 2
To Department 924

AMERICAN CONSULATE

Tsingtao, China, December 8, 1936.

SUBJECT: Situation at Tsingtao - Negotiations for
Withdrawal of Landing Party.

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Peiping, China.

Sir:

In continuation of this consulate's despatch no. 165 of December 7, 1936, file no. 800/850.4, subject: Situation at Tsingtao, I have the honor to report as follows:

Both the Chinese and Japanese press in Tsingtao report that some slight progress has been made in the negotiations now taking place between the Mayor and the Japanese Consul General in regard to the withdrawal of the landing party and the settlement of the labor troubles. The Japanese TSINGTAO SHIMPO of this date states that some seven demands or desiderata presented by the Japanese side are considered "fair and reasonable". The press item goes on to say that the terms of these seven demands have not been made public in any way, but their nature is so fair and reasonable that acceptance of them should not be a matter of great difficulty for the Chinese, and that the reasonable attitude of the Japanese as expressed in their demands

or...

- 2 -

or desiderata caused Mayor Shen to feel easy for the first time since the Japanese bluejackets landed.

The Chinese papers make no reference to "demands" by the Japanese. They simply refer to negotiations and indicate that a beginning has been made: (

交涉略有端緒

On the other hand press reports from Tokyo state that the Japanese authorities in Tsingtao have presented four demands to the Mayor. The demands as quoted in a Reuter despatch from Tokyo dated December 7, are as follows:

- "(1) That the Japanese Naval Authorities should cooperate in the maintenance of peace and order until the strike is settled.
- (2) All subversive elements should be expelled, the municipal officials involved in strike activities should be discharged and the local Kuomintang be dissolved.
- (3) Many Japanese advisers should be engaged to carry out a friendly policy towards the Japanese.
- (4) The branch of the South Manchuria Railway, recently established for economic exploitation in North China, should be recognized."

The first demand may be interpreted as the stationing of a Japanese armed force in Tsingtao for an indefinite period. The stationing might possibly be prolonged permanently.

The second demand may be interpreted as direct interference with the administrative integrity of China and may ultimately lead to the administration of the municipality being conducted by only those Chinese officials whose appointment has been approved by Japan.

The...

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

- 3 -

The third demand may be interpreted as the measure whereby Japan seeks to secure the eradication of anti-Nipponism and even more, the assurance that in all municipal matters paramount consideration would be given Japanese interests.

The fourth demand is really unintelligible to this consulate, which has been unable to obtain a satisfactory explanation among local Japanese. There is in Tsingtao no public office of the South Manchuria Railway. For some years past the South Manchuria Railway has maintained an office in Tsinan, the gentleman in charge making frequent trips to Tsingtao in connection with the development of the railway's business. In October, however, the consulate understands that a Mr. Fuchiwaki was stationed by the railway in this city, but no publicity was given to the establishment of representation by the railway in Tsingtao, and so far as is known Mr. Fuchiwaki has conducted the affairs of the company at his residence here.

The only other explanation that this consulate can give to the fourth demand is that it has reference to the Hsing Chung Kung Ssu (興中公司), on which this consulate reported in its despatch no. 92 of January 30, 1936, file no. 850.31/800, subject: Japanese Economic Exploitation of North China. In this despatch it was stated that this firm had been incorporated "under the sponsorship of the South Manchuria Railway Company for the Japanese economic exploitation of North China ... the shares being subscribed by the South Manchuria Railway Company exclusively". Considering the preeminence of Tsingtao's position in the trade of China,

considering...

- 4 -

considering that strong sentiments economic and political exist among all classes of Japanese in respect to Tsingtao and Shantung, and considering that in the projected extension of the Tsingtao-Tsinan Railway westwards to the Peiping-Hankow line there is a field for economic cooperation which the Japanese would undoubtedly wish to monopolize, it is not at all strange that the Japanese should have seized this opportunity to press a demand for economic cooperation by a great Japanese company.

Rumor of Compromise on Withdrawal of Landing Party.

One of the rumors that has come to the consulate in regard to the negotiations is that in respect to the Chinese demand for the withdrawal of the landing party and the Japanese reply that its presence is still necessary to protect the mills, is that a compromise might be effected by the withdrawal of the several contingents from the mills and their barracking at a single point in Tsingtao for the time being. Such a compromise can hardly be acceptable to the Chinese, for the quartering of Japanese armed sailors in Tsingtao might in time easily have the appearance of permanency.

Vice-Admiral Oikawa's Presence Advantageous to China.

There is little doubt that it was most fortunate for the Chinese that Vice-Admiral Oikawa, commanding the Japanese Third Fleet, had not yet been relieved by his successor, Vice-Admiral Hasegawa, who was only appointed a few weeks ago. Vice-Admiral Oikawa is frankly admitted by both Chinese and Japanese to be a conciliatory officer who has no sympathy for the Japanese ronin of...

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of Tsingtao and other ports of China. His presence at this time has without doubt had a restraining influence in respect to any of this element or even of the junior naval officers and other Japanese officials in Tsingtao who might have wished to add fuel to an incipient conflagration.

Suggestion as to Reason for Japanese Action.

It has been suggested that the Japanese action in landing their sailors in Tsingtao was prompted or perhaps hastened by the recent visit of General Chiang Kai-shek to Tainan and to the obvious improvement in the relations between General Chiang Kai-shek and General Han Fu-chu, the Governor of Shantung. The consulate records that as a suggestion only, which after all does not appear to be so far fetched.

Respectfully yours,

Samuel Sokolun,
American Consul.

800/360.4
SS/AD/CML

Original and five copies to Embassy, Peiping.
Copy to Embassy, Nanking.
Copy to Tainan-Chefoo.

A true copy of
the signed original.
Samuel Sokolun

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

No. 167

AMERICAN CONSULATE

Tsingtao, China, December 9, 1936.

Subject: Situation at Tsingtao - Settlement
Imminent.

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Peiping, China.

Sir:

In continuation of this consulate's despatch no. 166 of December 8, 1936, file no. 850.4, Subject: Situation at Tsingtao - Negotiations for withdrawal of Landing Party, I have the honor to report as follows.

Protracted negotiations between the Mayor and the Japanese Consul General took place yesterday with the result that a settlement in principle was reached by 7:30 P. M. according to the best information the consulate has. While the terms of the settlement have not been announced it appears that the Chinese were quite satisfied with the results of their negotiations. However, when the settlement in principle had been reached, the method of recording the terms of the settlement proved a great obstacle which at this moment does not appear to have been overcome. It is this consulate's understanding that the Chinese are objecting to the reduction of the terms to writing in any but the most informal record possible. In fact, the
Chinese

- 2 -

Chinese do not wish any record to appear and are pressing the Japanese to accept their assurances that the terms of the settlement will be executed as finally agreed upon in the verbal negotiations which have taken place. As a compromise the Chinese have considered the possibility of accepting a memorandum of the terms of settlement showing neither its provenance nor the date thereof, nor bearing any signature nor to be acknowledged in writing in any way by the Chinese.

Japanese and Chinese Press Continues to Report Progress

Both the Chinese and the Japanese press of today report that considerable progress was made yesterday. Part of a Japanese item was censored; the headlines of this article are as follows:

"LOW LYING CLOUDS ARE DISAPPEARING
STREETS SHOW REVIVAL OF ACTIVITY
CLARIFICATION OF SITUATION IMMINENT
MAYOR SHEN APPRECIATES THE FAIR AND
REASONABLE (JAPANESE TERMS)".

The following is taken from today's TSINGTAO TIMES.
This article appears to this consulate to have been officially inspired by the Chinese authorities of Tsingtao:

"LOCAL SITUATION TAKES EASIER TURN

Mayor and Consul-General Nishi Have
Five-Hour Conference

Settlement of Local Crisis in Sight

Tsingtao, Tuesday -- The chance of a cordial rapprochement between the Chinese and Japanese sides in the local situation became more marked yesterday as the result of a five hour conference between Mayor Shen and Consul-General Nishi night before last.

The

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

- 3 -

The demands and counter-demands have now been whittled down to a workable basis where a final solution is expected.

The future disposition of the landing party of the Japanese marines is not yet known, although one source alleges that the withdrawal of these forces has been agreed to in principle.

The local authorities are willing -- indeed from the very constitution of the crisis they are anxious -- to expel all subversive elements, and it is reported that the resignation of certain high officials in the local municipal government who might be held responsible for the outbreak of the strikes will be accepted.

No confirmation can be found re the reported demand for the dissolution of the Kuomintang, but in any case this cannot be acceded to, as this is National institution and representations to this effect must be made through Nanking.

Altogether a very hopeful atmosphere prevailed yesterday and although negotiations are continuing, it is hoped that an amicable and constructive settlement will be effected without much further delay."

Alleged Demand for Recognition of Japanese Organization for Economic Exploitation

In this consulate's despatch no. 166 of December 8, reference was made to the following alleged Japanese demand:

"(4) The branch of the South Manchuria Railway, recently established for economic exploitation in North China, should be recognized."

In discussing that demand the consulate possibly should have made reference to the section of its monthly political report for November 1936 entitled, "South Manchuria Railway Company's Enterprise" in which the opening

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

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ing of the Nichi-Man Shoji was discussed. For purposes of record the following is taken from the above mentioned political report:

"South Manchuria Railway Company's Enterprise

Japanese economic interests were further extended in Shantung by the opening of an office in Tsingtao of the Nichi-Man Shoji. This is a Yen 10,000,000 enterprise the capital of which has been furnished by the South Manchuria Railway Company and the Manchuria Coal Company. The firm will market products of the South Manchuria Railway Company and its subsidiaries as well as products of other Manchurian firms. The manufactures to be handled include coal, iron and steel, fertilizers, industrial chemicals and building materials."

The consulate might also have referred to the DOMELI news item which also appears in this report on page 3 which it ventures to repeat here:

"ECONOMIC PARLEYS IN TSINGTAO

Sino-Japanese Problems Under Discussion

Tsingtao, Nov. 10

Elimination of anti-Japanese doctrines from the school curricula, and Sino-Japanese economic co-operation, were among the topics discussed yesterday between Major-Gen. Gun Hashimoto, chief of staff of the Japanese Forces in North China, and Admiral Shen Hung-lich, Mayor of Tsingtao.

Major-Gen. Hashimoto was accompanied by Major Nakao Yahagi, resident officer here, and three staff officers. The visitors were Admiral Shen's guests at dinner last night. - DOMELI"

It would accordingly appear that Sino-Japanese economic cooperation was discussed between General Hashimoto and Mayor Shen in November, that possibly
the

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

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the placing of orders with the Nichi-Wan Shoji is what is referred to in the fourth demand quoted above, and that in any case, in the present negotiations, the Japanese have pressed for some advantage to their economic interests in Tsingtao and Shantung.

Japanese Patrols in Streets of Tsingtao

It might appear from the consulate's previous despatches that the Japanese landing party was distributed only among the Japanese cotton mills. Actually, there are also several small patrols of ten to 16 men to be seen in the streets of Tsingtao at all hours of the day and night.

Respectfully yours,

Samuel Sokobin,
American Consul.

800/850.4
SS/AD

Original and five copies to Embassy, Peiping,
Copy to Embassy, Nanking,
Copy to Tsinan-Chefoo

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

No. 168

ENCLOSURE NO. ⁴
TO DESPATCH NO. 924

AMERICAN CONSULATE

Tsingtao, China, December 12, 1936.

Subject: Situation at Tsingtao - Complete Easing.

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Peiping, China.

Sir:

I have the honor to refer to this consulate's despatch no. 168 of December 11, 1936, file no. 800/850.4, subject: Situation at Tsingtao - Terms for Reopening of Mills, and to report that both the Chinese and Japanese local press describe the situation as having been completely resolved by the terms of the settlement for the reopening of the mills. Among the Chinese this same feeling of settlement prevails and the Japanese residents likewise feel that a very normal situation will be completely restored on Monday, December 14, when the mills reopen.

There are enclosed copies with translations of two proclamations posted yesterday in Tsingtao; one is the proclamation of the Mayor, exhorting the workers to resume their duties peacefully; the other is a proclamation posted at each of the mills inviting "fellow-workers" to take their usual places and offering a reward of 15 cents per day to those who do not
absent

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

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absent themselves during a period of ten days, commencing December 14.

Admiral Hasegawa, the new commander-in-chief of the Japanese Third Fleet in Chinese waters, departed for Shanghai at 8:00 P. M. yesterday on board the flagship IDZUMO. Today's TSINGTAO SHIPPO (Japanese) carries an interview given by the Admiral's Chief of Staff. One of the headlines in the newspaper item is "DO NOT REPEAT SILLY TROUBLE"; another is "MILITARY READY TO BE WITHDRAWN UPON RESTORATION OF PEACE AND ORDER". In free translation, the Chief of Staff's statement is as follows:

"In regard to the present trouble, from the very beginning the Japanese Navy desired that the Chinese display a sincere attitude. The Navy's only attitude was one of strict fairness which was finally recognized by the Chinese (authorities) who, once they recognized our fairness, acted speedily and resolved the situation. Tsingtao is to be congratulated thereon.

It is a matter of common knowledge that Tsingtao in the past has had a special interest for Japan, particularly for the Japanese Navy, whose concern is greater than that of any one else. But the Navy cannot but sincerely wish that the present evil state of affairs be turned into one of good fortune for the future. The Commander-in-Chief of the Third Fleet, relying upon the sincerity of the Chinese authorities, leaves the port on board his flagship IDZUMO; however, regardless of where he may be, he will not alter his concern for Tsingtao.

The Navy is ready to withdraw its landing party when:

- A. The situation is completely quieted;
- B. The sincerity of the Chinese authorities is established;
- C. The danger to Japanese lives and property has been removed.

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

- 3 -

In brief, the Japanese Navy never likes to cause any trouble but maintains an attitude of impartiality to everybody at all times. This attitude of the Navy can be relied upon and it is hoped such a silly (or stupid) affair as the present one will never again be repeated in such a peaceful place as Tsingtao."

It is of interest to note that the Chief of Staff refers to the incidents at Tsingtao, viz: the closing of the mills and the landing of the sailors, as "silly" or "stupid" or "foolish", the character which was used being 愚 . There is no doubt that "foolish" describes what the Chinese think of the Japanese action, but if the marines remain in Tsingtao indefinitely perhaps both sides will take a different view.

Respectfully yours,

Samuel Sokobin,
American Consul.

800/850.4
SS/AD

Original and five copies to Embassy, Peiping,
Copy to Embassy, Nanking,
Copy to Tsinan-Chefoo.

A true copy of
the signed original.
inal. RD

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

(Translation of Proclamation by the Municipal Administration)

IN THE MATTER OF A PROCLAMATION. With reference to the temporary closing of the Japanese cotton mills in Tsingtao due to recent labor troubles, a report has now been submitted by the Bureau of Social Affairs to the effect that the Japanese Cotton Mill Owners' Association had decided that resumption of operations be effected on December 14, and the Bureau has also requested that a proclamation be made by this administration for public knowledge.

Accordingly, it is hereby proclaimed that the workers of the respective mills proceed with an easy mind to work on the date fixed and that they be not mere lookers-on and thus become victims of their own errors. Should any bad elements exciting or instigating (the workers) or frustrating (the resumption of work) be identified, they shall immediately be severely disciplined without mercy whatsoever. It is directed therefore that this proclamation be obeyed by all concerned.

SHEN HUNG NIEH
MAYOR

(Translation of notice posted by the cotton mills).

With reference to the temporary closing of this mill on December 2, a satisfactory settlement has been effected as a result of negotiations between the Municipal Administration and the Japanese Consulate General. Therefore, resumption of operations will be effected on December 14; shift B is to work in the daytime while shift A is to work at night. Those attendants who do not absent themselves from the beginning of the day shift of December 14 to the end of the day shift of December 24, shall be each given 15 cents per day as a reward. It is hoped that our fellow-workers in the mill make haste to return so that work may be resumed. Of the above every worker is hereby notified.

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



EMBASSY OF THE
 UNITED STATES OF AMERICA
 Nanking, December 23, 1936.

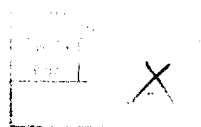
No. 293

Subject: Alleged Supreme Court Decision
Protecting Authors and Publishers
in China.

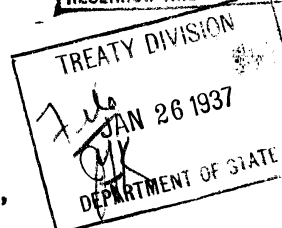
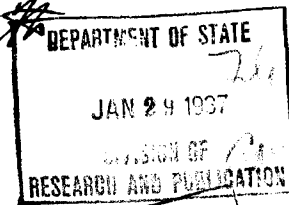
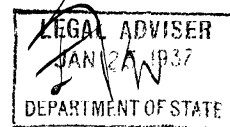
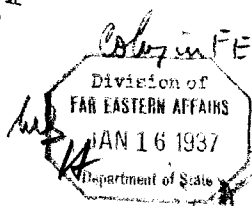
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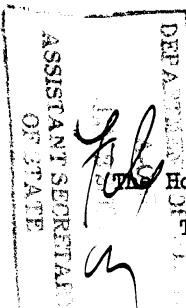
DIVISION OF
 COMMUNICATIONS
 AND RECORDS



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Honorable
 The Secretary of State,
 Washington.

Sir:

I have the honor to refer to despatch No. 479 of
 November 2, 1936, from the Consulate General at Shanghai,
 entitled "Unauthorized Reproduction of Colonel Stimson's
 Book 'FAR EASTERN CRISIS'".

1/ I enclose a copy of a self-explanatory communication
 which has been addressed to Dr. T. T. Li, Director of

the

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

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2/ the Department of Intelligence and Publicity of
the Ministry of Foreign Affairs, under date of
November 4, 1936, together with a copy of his reply,
dated November 26, 1936, indicating that contrary
to the press report contained in the Consulate
General's despatch under reference, the Supreme
Court has not handed down any decision which could
be construed as protection for authors or publishers
whose books have not been registered in accordance
with copyright laws.

Respectfully yours,



Nelson Trusler Johnson.

Enclosures:

1. To Dr. Li
November 4, 1936
2. From Dr. Li
November 26, 1936

Original and one copy to Department
Copy to Peiping
Copy to Shanghai

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CWA:MM

1036
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

(CORRECT COPY T)

Nanking, November 4, 1936.

Dear Dr. Li:

I have noticed a news item in the Shanghai Evening Post and Mercury of October 31, 1936, under the title "Projected Pirated Edition of Stimson Book Abandoned by Photostat Publisher as Result of 'Hint' from Mayor over possible Action", stating that the Mayor of Shanghai caused the publisher in question to be informed that there is a Supreme Court decision giving ground for proceedings against the publisher of a "pirated edition" not on a basis of copyright law but for damages in the event of complaint from the original publisher or the author.

Anything relating to the rights of publishers and authors in China is of interest to the Embassy. I wonder whether it would be too much trouble for your office to obtain for us a copy of the Supreme Court decision referred to in this news item? Your kindness will be greatly appreciated.

Very truly yours,

(Signed) Willys R. Peck.

WRP:MM

Dr. T. T. Li,

Director of the Department of
Intelligence and Publicity,

Ministry of Foreign Affairs,

Nanking.

0037

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

(CORRECT COPY T)

WAICHIAOPU

(Ministry of Foreign Affairs)

Nanking, November 26, 1936.

Dear Mr. Peck,

With further reference to your letter of November 4, I wish to inform you that the plan of certain Chinese publishers in Shanghai to reproduce Colonel Stimson's book entitled "The Far Eastern Crisis" was abandoned primarily due to the pressure of a widespread opinion against their project, especially among those who appreciate the author's sympathetic understanding of this country.

According to my information, the Supreme Court has not handed down any decision which could be construed as protection for authors or publishers whose book has not been registered in accordance with the Copyright Law.

Very truly yours,

(Signed) Ti-Tsun Li

Mr. W. R. Peck, Counsellor,

Embassy of the United States of America,

Nanking.

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

Gustafson
DIVISION OF
FAR EASTERN AFFAIRS
DEPARTMENT OF STATE
JAN 23 1937

RECEIVED
DEPARTMENT OF STATE
DIVISION OF FAR EASTERN AFFAIRS
CONFIDENTIAL
January 16, 1937
1937 JAN 19 PM 3 The Situation in the Far East.

SECRETARY OF STATE
JAN 19 1937
NOTED

S. DIVISION OF
MEXICAN AFFAIRS
AND
CENTRAL AMERICA

1937
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The situation at Sian, Shensi Province, (and in northwest China generally) continues to be critical. There is serious danger that the rebellious troops at Sian (and Kansu provincial troops) may join forces with the large Chinese communist armies occupying nearby regions and create a formidable communist front in northwest China. Such a development would jeopardize internal peace in China and disturb Sino-Japanese relations. However, fragmentary reports now seem to indicate that settlement of the situation may be achieved through negotiations between the Nanking Government and the leaders of the Sian rebels.

Our Embassy at Nanking is making every effort to obtain facilities for the evacuation of the 15 to 20 American citizens now in Sian. The Counselor of our Embassy, who today returned from a hurried airplane trip to Sian, reports that Sian is quiet and that Americans there are unharmed. Efforts to arrange for the evacuation of Americans are being continued.

With

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

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With regard to the recent "Cabinet crisis" in Japan, the NEW YORK TIMES correspondent in Tokyo, in an article which seems to be a sound appraisal of the situation, states that the political party leaders have tacitly agreed to maintain Premier Hirota's government in power and avoid forcing a crisis during the coming Diet session, although adverse criticism will probably be directed against Foreign Minister Arita's management of foreign affairs.

With the exception of the concern felt for the safety of Americans at Sian, conditions in the Far East do not give cause for serious apprehension. They have neither improved nor worsened during the week in review.

SKH

NW m.m.H.
FE:JCV:ZMK

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

DOCUMENT FILE

NOTE

SEE 893.00 P.R.Yunnan/98 FOR Disp.#-

FROM Yunnanfu (Penfield) DATED Dec.2,1936
Hd/11 NAME 1-127 o r o

REGARDING: Relations between China and Japan: Anti-Japanese
Propaganda; Funds for Suiyuan Troops: Reports
regarding --.

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793.94/8506

8506

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193.94

1. Anti-Japanese Propaganda

The anti-Japanese propaganda of the last few months was slightly less conspicuous during November. Except for the statements made in Central and other news agency reports, little attention was paid to Japan's possible connection with the Suiyuan situation although developments there were followed with great interest. Exceptions to this statement were a cartoon and an editorial appearing in the Hsueh-shen Shin Pao. The cartoon showed an armed Tom Thumb labeled "Fetters Mongolian Army" being lifted in the palm of a large black hand, presumably Japan's. This drawing was entitled "A Hand in Salary and Position". The editorial mentioned the Japanese backing of the Mongolian rebels and strenuously criticized Sung Shue-yuan and the Kopei-Shahar Political Council for their yielding attitude in the face of Japanese economic and political demands. In spite of the decrease in public anti-Japanese sentiment, however, general interest continued unabated as evidenced by several rumors of Central Government mobilization orders and of impending war with Japan. A group

of

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of officials who imported a shipment of Japanese crystal used for making axes is reported to have suffered an access of patriotism and turned the goods in for destruction.

4. Funds for Huiyuan Troops

The Provincial Kuomintang and other local bodies enthusiastically followed the lead of organizations in other parts of the country in raising funds for the troops fighting in Huiyuan. In addition to regular subscriptions, "give a day's income" and "economize on food" movements were started. By the end of the month the local press reported that about Yuan 35,000 had been subscribed, most of which has already been remitted to a central committee in Nanking.

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DOCUMENT FILE

NOTE

SEE 893.00 P.R.Hankow/115 FOR Desp.#219

FROM Hankow (Jarvis) DATED Dec.16,1936.
 H611 NAME 1-1127 o p o

REGARDING: Relations between China and Japan: Popular Support
 for Suiyuen Defenders; Comment on Sino-Japanese
 Negotiations at Nanking; Comment on Inauguration
 of Sino-Japanese Air Service in North China: Re-
 ports regarding --.

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2. Japan

a. Popular Support for Suiyuan Defenders

793.94
 Since the outbreak of hostilities in Suiyuan, the Chinese people of this Consular District have responded eagerly to appeals for practical support of the troops defending the northern border. The so-called "one-day movement", sponsored by the Kuomintang and having as its object the collection of one day's income from every person, has spread rapidly in Kiangsi, Hunan, Hupeh, and Honan.

In the Wuhan cities the employees of over a hundred Government offices and Chinese and foreign business organizations have contributed in one form or another, and even the inmates of prisons are reported to have "starved" for one day in order to do their share. It has been estimated that over \$200,000 have already been collected by the Tangpu and collecting committees.

Teachers and students are taking a leading part in organizing a publicity campaign to awaken the nation to the

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the necessity of holding back the Mongol and "Manchukuo" invaders. The Hankow Mass Education Society have put up posters to keep the public informed of the fighting, and several groups have sent representatives to Suiyuan to offer encouragement to General Fu Tao-yi (傅作義) and report on developments.

b. Comment on Sino-Japanese Negotiations at Nanking

The HANKOW HERALD in its editorial of November 26, 1936, entitled "Farcical Negotiations" in commenting on the negotiations between China and Japan in Nanking states that

"The threatened termination of the negotiations in Nanking will cause no uneasiness in China. The negotiations are useless because the Japanese demands are entirely unacceptable. For a nation to invade the territory of a neighboring Power at the very moment when she is seeking the friendship of that Power is something never heard of before in the annals of the world. It is for this reason that the negotiations in Nanking would become farcical if they should be resumed under the present circumstances. The Chinese people should do their best to defend Suiyuan against the attack of the invaders no matter what steps Japan may take to support her puppets."

c. Comment on Inauguration of Sino-Japanese Air Service in North China

The inauguration of the Sino-Japanese Hui Tung Company's air service between points in North China and Manchuria on November 17, 1936, evoked strong editorial comment in the HANKOW HERALD. The objections voiced were (1) that the agreement signed between the Japanese and the Hopedi-Chahar Political Council was not based on equality and reciprocity; and (2) that the inauguration of the air service will enable the Japanese to do more scouting in addition to what has been carried on by Japanese military planes to the total disregard of China's

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China's sovereign rights and the protests of the Chinese Government.

d. Wounding of Japanese at Changsha

An incident which created enough anxiety on the part of the Japanese Consul at Changsha to cause him to come to Hankow for consultation with the local Consul General and the Commander of the 11th Squadron of the Japanese Navy regarding the protection of Japanese nationals, was created when a badly wounded Japanese¹ was discovered in his house at Changsha early on the morning of November 2nd by his servants. The Changsha Bureau of Public Safety began a prompt investigation, and apprehended the culprit, a native of Chuchow, Hunan, who had slashed the Japanese several times with a butcher knife when he was surprised in searching the latter's trunks for money. The culprit has been tried by the Changsha District Court and it was reported on November 27th that he had been sentenced to ten years imprisonment for having entered a house at night with weapons and attempting robbery. The Japanese, who was removed to the Bojin Hospital (Japanese) at Changsha, is recovering from his wounds.

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DOCUMENT FILE

NOTE

SEE 893.00 P.R./128 FOR Desp.#927

FROM China (Lockhart) DATED Dec.16,1936
 /TP// NAME 1-1127 ***

REGARDING: Relations between China and Japan; Sino-Japanese
 Negotiations at Nanking; Events in Suiyuan; Reports
 regarding these, and other matters having a bearing
 on Sino-Japanese relations.

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B. Relations with Other Countries.

1. Japan.

a. Sino-Japanese Negotiations at Nanking.

Although one conference between the Chinese Minister for Foreign Affairs, General Chang Ch'un, and the Japanese Ambassador, Mr. Kawagoe, was held on November 10 and a number of conferences between subordinate officers of the Ministry of Foreign Affairs and the Japanese Embassy took place during November, no results were apparent from the Sino-Japanese negotiations at Nanking. The deadlock was attributed to the inability of the two representatives to reach an agreement on the two major subjects under discussion, the creation of a special area in North China and joint action against the Communists. It is also considered probable that the negotiations were impeded by the alleged connection of Japan with the invasion of Suiyuan.

b. Suiyuan.

All political events in China were overshadowed

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- 5. Canton's telegrams Nov. 2, 10 p.m., Nov. 4, 5 p.m., Nov. 11, 4 p.m., and Nov. 12, 11 a.m.
 - 6. Canton's despatch No. 28 of December 5, 1936.

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in November by the drive of the bandit and "irregular" forces against the borders of the province of Suiyuan.

After preliminary skirmishes on November 13 and 14, all forces of the "irregular" troops under Wang Ying and General Li Shou-hsin made the first important attack in the long expected drive on the morning of November 15 when they struck at Hung K'ie Yeh T'u, a village northwest of Pingtich'uan. The small pro-Government force defending this village, however, was successful in withstanding the attack until the arrival of a large relief column. During a hard-fought battle which ensued, the forces on both sides were augmented, and the "irregulars" were reported to have been supported by airplanes. The Suiyuan troops successfully repulsed the "irregulars". After a battle which lasted throughout the night of November 23-24, the Suiyuan troops took Paillingmiao, the strategically important base of the "irregular" troops which had recently been the capital of the Inner Mongolian Autonomous Political Council and the headquarters of Prince Teh. The staunch position taken by the Suiyuan authorities against the invaders and the determination of the Central Government to support Suiyuan in that stand was applauded throughout the country. Great enthusiasm was displayed in various parts of the country in the raising of funds for the support of the troops in Suiyuan. Voluntary medical units were organized.

Rumors were current in the press to the effect that

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the Kwantung Army was not only lending its moral support to the "irregulars" but that it was actually assisting them by supplying airplanes and tanks and lending Japanese military officers to conduct their campaign. These rumors were vigorously denied both in Tokyo and by Japanese representatives in China. In order to ascertain the true facts the Chinese Ministry of Foreign Affairs on November 20 sent Mr. Tuan Mao-lan, a secretary in the Foreign Office, to Suiyuan, to make an investigation on the spot. The Embassy in Nanking has learned from a reliable source that, as a result of Mr. Tuan's investigation, the Chinese authorities are convinced that the Japanese have been assisting the "irregular" forces in Suiyuan.⁷ This would appear to be supported by information received by the Consulate General at Mukden to the effect that Jehol was virtually givested of "Manchukuo" troops in November, that even commercial aircraft in South Manchuria not on scheduled service had been sent westward, and that 19 railway carloads of Japanese wounded were seen to have arrived late one night at the Mukden Railway station on a special train marked as having come from Shanhsikwan.

The Consulate General at Mukden reports moreover that the Kwantung Army and the "Manchukuo" Foreign Office, although feigning neutrality, issued statements on November 27 expressing their deep interest in the Suiyuan and Chahar hostilities. The Kwantung Army's announcement

included

7. Nanking's telegram No. 338, December 2, 12 noon.

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included a prayer "for the success of the Inner Mongolian Army. Should peace and order in the territory contiguous to 'Manchukuo' be disturbed as a consequence of the present hostilities, or should all of China be in danger of being Sovietized, the Kwantung Army will of necessity take whatever measures it deems appropriate."

Following a conference between General Chiang Kai-shek and General Yen Hsi-shan, Pacification Commissioner for Shansi and Suiyuan, and other important northwestern military leaders at Taiyuan, the Generalissimo in a public address announced that, although the situation in Suiyuan was grave, the Government had made adequate preparations to deal with the invaders. General Fu Tso-yi, Chairman of the Suiyuan Provincial Government, on the same day publicly announced his determination to defend the province against invasion.

The Consulate General in Tientsin reports that there is some reason to believe that General Li Shou-hsin paid a visit to Tientsin prior to the opening of his offensive for the alleged purpose of conferring with the Japanese military authorities in Tientsin and making certain military arrangements with them. There is also evidence that flour and other supplies were purchased in Tientsin for the "irregulars" and shipped under Japanese protection to Inner Mongolia.

Toward the end of the month Yin Ju-keng was

reported

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reported in the press to have contributed \$1,800,000 from the revenues of the East Hopei Government to the support of the "irregular" forces.

c. Visit of Chiang Kai-shek to Tainan.

General Chiang Kai-shek visited Tainan for two hours on November 19 ostensibly for the purpose of inspecting "military and civil conditions". The Consulate at Tainan believed, however, that the purpose of the visit was two-fold (1) to receive a report from General Han of his interview with Sung Che-yuan, and (2) to indicate by the visit a high degree of confidence in the loyalty of General Han to Chiang and the Central Government. General Chiang Kai-shek's visit to Tainan is also reported to have had a good moral effect on the Chinese in Tsingtao. It is understood that he conversed by telephone with the mayor of that city.

d. Meeting of Han Fu-chu and Sung Che-yuan.

General Han Fu-chu is reported to have gone to Nankung, in southern Hopei, for the purpose of conferring with General Sung Che-yuan. In regard to this meeting General Sung is reported in the press as saying "owing to geographical propinquity Hopei and Shantung are approximately in the same situation. We (Generals Han and Sung) have therefore agreed to cooperate with each other for the maintenance of peace and order in the

territory

8. Tainan's telegram of November 17, 1 p.m.

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territory and in the promotion of friendly relations with foreign countries".

9
 e. Resignation of the Mayor of Tsinan.

Probably on account of a difference of opinion between General Han and Mayor Fen as to tactics to be pursued in dealing with the Japanese, the Mayor resigned on November 10 and was succeeded by Mr. Jen Chu-chien, Chief of the Provincial Survey Bureau and a former student in Japan. Subsequently, however, Mayor Fen was appointed to the position of adviser to General Han.

10
 f. General Hashimoto's Visit to Tsingtao.

Shortly after the establishment in Tsingtao of a Japanese Military Mission, General Hashimoto, Chief of Staff of the Japanese Forces in North China, made a visit to Tsingtao which was interpreted in Chinese circles, apparently on the basis of conjecture only, as foreboding an early extension of the Japanese Army's policy in North China to include Tsingtao and Shantung.

g. Pao An Tui Mutiny.

On November 20 some three hundred men of the Peace Preservation Corps stationed at Changli mutinied on the train which was carrying them to Tangshan. After having robbed the passengers and kidnapped three Japanese, they left the train at a small station east of Tangshan, fleeing in the general direction of Yu T'ien

where

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9. Embassy's despatch No. 871, November 21, 1936.
 10. Tsingtao's despatch No. 157, November 11, 1936.

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where they were surrounded by Japanese troops and "loyal" members of the Pao An Tui at a point northwest of Feng Jun and disarmed. A former commander of the mutineers was arrested in the Japanese Concession in Tientsin toward the close of the month on suspicion of complicity in the case.

h. First Anniversary of the Establishment of the East Hopei Government.

On November 25 Yin Ju-keng celebrated with elaborate ceremonies the first anniversary of the establishment of the East Hopei Anti-Communist Autonomous Government in the presence of some five hundred guests including General Hashimoto and General Itagaki, Chief of Staff of the Kwantung Army.

i. Paitaiho Beach Taken Over by East Hopei.

On November 2 the administration of Paitaiho Beach was formally taken over by the East Hopei Anti-Communist Autonomous Government and Mr. C. P. Lin, reported to be an American returned student, took over control of the area. Yin Ju-keng is said to have promised many improvements in the summer resort.

j. Experimental Farm Seized.

The experimental farm of the Hopei Cotton Improvement Commission at Chun Liang Ch'eng, the property of which is reported to be valued at about \$700,000, was forcibly occupied on November 26 by an officer of the East Hopei regime.

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k. Smuggling.

The "Customs Chief Inspection Bureau for the Prevention of Smuggling by Railroads", the offices of which were opened in Tientsin on November 8, was prevented throughout the month from effectively exercising its functions by the failure of the Hopei Chahar Political Council to afford it necessary assistance and protection. Smuggling in North China continued unabated throughout November.

On November 30 all consulates in Tsinanfu received notices from the Provincial Shantung Government stating that after December 1 all automobiles would be stopped and, unless provided with permits, would be detained. It was thought that this action had some connection with the smuggling situation as it is well known that Japanese trucks carrying smuggled goods practically never have legal permits.

l. Through Air Traffic Inaugurated.

The inauguration of the air line operating between North China and Manchuria under the Hui Tung Aviation Company took place in the presence of a number of Chinese and Japanese officials on November 11.
17. Four lines are now in operation: one between Tientsin and Dairen, one from Peiping via Tientsin to Chinchow, one from Tientsin to Chengteh via Peiping and one from Tientsin to Kalgan via Peiping.

Soon after the formation of the company it is said to have run into difficulties in the form of

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11. Peiping's telegram No. 555, November 18, 12 noon.

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a refusal of the Japanese military authorities to discontinue the now well-established military air line between Manchuria and North China.

m. Efforts to Raise Capital.

During the first week in November a representative of the Tientsin North China Garrison who had gone to Japan to obtain the views of leading Japanese industrialists and the government authorities as to the practicability of greater Japanese investment in Sino-Japanese projects in North China returned to Tientsin with what was said to be an optimistic report.

n. More Salt in Changlu.

Further shipments of Changlu salt to Japan were made during November, bringing the total amount purchased up to 70,000 tons.

o. Li Ssu-hao's Conference with Chiang Kai-shek.

At the beginning of November, the Chairman of the Economic Committee of the Hopei Chahar Political Council, Mr. Li Ssu-hao, was requested, according to the press, by Chiang Kai-shek, to go to Loyang to confer with him on the state of "economic cooperation" in North China. Li returned in the middle of November to Tientsin where no announcement was made as to the purport of the conversations. Li, however, gave out other interviews in the course of the month on "economic cooperation" in North China.

Pa

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p. Japanese Cotton Mill Strikes.

Although there was some relaxation of tension in Sino-Japanese relations in Shanghai during November, the cotton mill strikes and lockouts affecting principally Japanese interests were a source of great concern during most of the month and required the exercise of extraordinary precautions on the part of the Shanghai municipal authorities. On various occasions clashes were experienced between the police and rioting workers and some sabotage was reported. At the end of the month the situation was practically normal in all districts with the workers apparently appeased by wage increases ranging from 5 to 7-1/2%.

When these difficulties occurred in Shanghai apprehension was felt in Tsingtao by both the Japanese cotton mill managements and the Chinese authorities who feared political repercussions.¹² No wide-spread strikes took place but an unsettled condition prevailed and negotiations were being held up until the end of November.

q. Settlement of Murder of Japanese Consular Policeman in Swatow.

The case of the alleged murder of the Japanese Consular policeman in Swatow on January 21, 1938, was finally concluded by the payment of Kwangtung \$6000.00 to the Japanese Consulate at Swatow by the Mayor of that place.

Li

12. Tsingtao's despatch No. 153, November 14, 1938.

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**F. Administrative Change in Japanese Area
in Tientain.**

The administrative machinery of the Japanese
Concession in Tientain was changed during the month so
that the area was placed under the jurisdiction of the
newly established Japanese Settlement Corporation instead
of the Japanese Municipal Council.

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

LMS

TELEGRAM RECEIVED

GRAY and SPECIAL GRAY

1-1338

Peiping via N. R.

FROM
Dated February 8, 1937

Rec'd 2:10 p. m.

793.94
Secretary of State,
Washington.

54, February 8, 5 p. m.

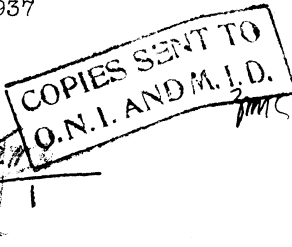
One. Sung Che Yuan and the commander of the Japanese North China garrison are conversing periodically at Tientsin. Chinese and Japanese officials state that the conversations are probably confined to economic cooperation. It is understood that the Japanese are primarily interested at present in the questions of (a) developing the Lungyen iron mines in Chahar and the Chingying coal mines in Western Hopei and (b) constructing the Shihkiachwang Railway.

Two. Apparently no (repeat no) progress is being made toward an increase of autonomy in North China. Sung Che Yuan is said by Japanese to have become more conciliatory toward them during the detention of Chiang Kai-Shek at Sian but to have reverted to his previous attitude after Chiang's release.

Three. Fresh and significant developments in

North

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

LMS 2-No. 54, February 8, 5 p. m., from Peiping.

North China presumably await (a) clarification of the situation created in China by the trouble in Sian and (b) clarification of the political situation at Tokyo.

Four. According to an officer Embassy Japan the objection of the Japanese military to Sung Che Yuan's acceptance January 11 of the resignation of Chen Chung Fu as Chairman of the Foreign Affairs Committee of the Hopei-Chahar Political Council and the appointment of Chia Teh Yueh is due to the fact that the Japanese should have been consulted on the matter. Chia apparently is not (repeat not) going to accept the post.

Five. According to the same source, reports of disaffection in Yin Ju Keng's area are Chinese propaganda. Local Japanese and Chinese officials express the belief that no (repeat no) change will take place in the status of Yin's regime in the near future. (Reference 893.00/13927 Embassy's 31, January 16, noon)

Six. The Japanese Embassy received a report five days ago from a representative in Taiyuan that Communist forces had arrived at Yumenko in Southwest Shansi and at Loyuko in Central West Shansi. An officer of that Embassy stated that the number is unknown and that some divisions of the National Government have entered Southeast Shansi as a result.

Seven.

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

LMS 3-No. 54, February 8, 5 p. m., from Peiping.

Seven. Recently local Japanese authorities have cooperated with the Chinese in closing the fifteen Japanese gambling houses in Peiping. According to a Japanese officer, efforts will be made to clean up the heroin shops in Peiping run by Koreans, which will be difficult because of their large number (approximately 200). He states that the purpose is to improve Sino-Japanese relations in Hopei and Chahar.

Eight. The Chengchow affair, reported in the Embassy's 11, January 8, 3 p. m., has not (repeat not) become significant. It is understood that the Chinese Foreign Office protested to the Japanese and that the latter protested to the Chinese, the latter protest being based on infringement of extra-territorial rights.

By mail to Tokyo.

MERRILL

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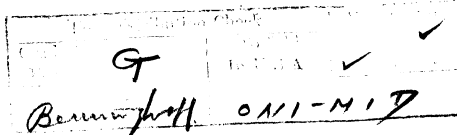
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By Milton D. Gustafson NARS, Date 12-18-75

No. 451

AMERICAN CONSULATE GENERAL,

HARBIN, MANCHURIA, December 18, 1936.

CONFIDENTIAL.



SUBJECT: REACTIONS OF THE CHINESE POPULATION IN
NORTH MANCHURIA TO EVENTS IN CHINA.

RECEIVED
DEPARTMENT OF STATE

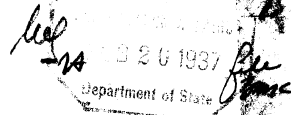
DEC 23 12 PM 12 19

THE HONORABLE

COPIES SENT TO
O.N.I. AND M.I.D.

THE SECRETARY OF STATE,
WASHINGTON.

Copy in FE



793.94/8510

SIR:

I have the honor to enclose herewith a copy of my
despatch No. 291, dated December 18, 1936, to the Embassy
at Peiping, on the subject of "Reactions of the Chinese
Population in North Manchuria to Events in China."

Respectfully yours,

George D. LaMont
George D. LaMont,
American Consul.

Enclosure:
Copy of despatch No. 291,
December 18, 1936, to
Peiping.

In quintuplicate.

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

*Ord to Desp 451 dtd 12.12.36.
from Harbin*

No. 291

AMERICAN CONSULATE GENERAL,

HARBIN, MANCHURIA, December 18, 1936.

CONFIDENTIAL.

SUBJECT: REACTIONS OF THE CHINESE POPULATION IN
NORTH MANCHURIA TO EVENTS IN CHINA.

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Peiping, China.

Sir:

With reference to the deadlock in the Nanking negotiations, and the recent coup at Sian, I have the honor to submit an estimate of the way in which people of the Chinese race here would react to a Sino-Japanese conflict.

It is difficult to obtain information concerning the reactions of the native population. For one thing, there is no officer stationed here who speaks the Chinese language, and even if there were, he would experience great difficulty in frank and open conversations with thinking Chinese because they would be afraid to risk the danger of being seen in the company of a foreigner. Although frequently "Manchukuo" officials are met in a social way, these people are either renegades or mere figure-heads, and a frank expression of opinion from them would not be forthcoming even if one had the temerity to embarrass them with questions. The local Chinese language press, of course, is useless, as

- it is -

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file 773.94/8510

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it is completely owned by Japanese, and under military censorship. There is not a single inch of printed material which is free, directly or indirectly, from Japanese propaganda.

From such contacts as have been possible, however, it has been disclosed that the native population almost unanimously would welcome the return of Chinese control. This is in spite of increasingly favorable economic conditions, a stable currency, perhaps a lessening of extortion on the part of officials, and a uniform rate of taxation. It is natural that the rural population should welcome the return of the Chinese, for not only have the farmers been the last to benefit by the "improvements", but they have received brutal and soul-killing treatment far in excess of the city dwellers. Their farms have been destroyed and they have been forced into concentration areas, as part of the drive against outlaws; in many cases they have been driven off their farms, or have received but a fraction of their value to accommodate Korean and Japanese immigrants; their traditional cash crop, poppy, has been made illegal except in a few areas; and the 1930-34 economic depression in Manchuria was intensified because of the chaotic conditions which prevailed, and in their ignorance the farmers are apt to blame the Japanese for all the misfortunes which have befallen them.

Most important of all, of course, is the inherent hatred any race has for alien dominance. This has been noticed in many parts of the world, where the rulers frequently were more tactful with the native population than has been the case in Manchuria. This dominance involves a loss of "face" which is almost insupportable, and which

- causes -

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 By Milton O. Quatefen NARS, Date 12-18-75

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causes even the relatively well-to-do city merchants to look with longing for the return of a government of their own kind, even though they have received some economic benefits from the present regime and have not suffered the extreme hardships of their compatriots on the farms.

If the recent coup in Sian should lead to extensive Sino-Japanese hostilities, however, there is no reason to suppose that the present authorities would experience any particular difficulties with the population. For one thing, the people are to a large extent disarmed, and have not the means to procure weapons. For another, there is no leader with sufficient initiative, funds, or backing. Finally, the Chinese are notoriously apathetic to matters political and military, which, coupled with the fear of the efficiently organized system of secret police whose activities would undoubtedly be redoubled, would in all likelihood preclude the possibility of a serious uprising.

The greatest trouble would probably come from so-called bandits who are in reality patriotic Chinese in touch with Nanking or communists in touch with the U.S.S.R. The activities of these bands would in all probability increase, and perhaps many recruits would join them. Only recently one such band, numbering about 400 (according to official report) captured the town of Foshan, on the Amur north of Chiamussu, and was not dislodged for a week. It is hardly likely, however, that such bands would prove a serious menace in the rear to Japanese operations in China, although sporadic raids would doubtless continue and lawlessness as a whole increase. The possibility of an increase in covert Soviet assistance to these bands would be

- offset by -

311-4

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

- 4 -

offset by the undoubted disappearance of assistance from China which is coming at the present time.

The situation in the event the U.S.S.R. should abandon neutrality is another question, beyond the scope of this report. The Chinese population, if left to its own devices, would not be likely to be a serious menace to the Japanese, at least in north Manchuria.

Respectfully yours,

George D. LaMont,
American Consul.

Copy to Embassy, Nanking.
Five copies to Department by
despatch NO. 451, December 18, 1936.
Copy to Consulate General, Mukden.
Copy to Embassy, Tokyo.
Copy to Consulate, Dairen.

800
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True copy
the original
✓

311-5

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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TELEGRAM RECEIVED

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1-1336

FROM GRAY

Shanghai Via N.R.

Dated February 20, 1937

Rec'd 7:10 a.m.

793.9
293.5043

Secretary of State
Washington

DEPT. OF STATE
FAR EAST
FEB 21 1937
COPIES SENT TO
O.N.I. AND M.I.D.

95, February 20, 1 p.m.

About 1000 Chinese mill workers rioted at Japanese
Toyada cotton mill outside western district of International
Settlement this morning but were checked by police. Sub-
sequently 300 blue jackets from Japanese landing force
occupied mill property and remain there at present.
Shanghai Municipal police report order has been restored
and do not expect further disturbances of serious nature to
arise over week end.

Repeated to Peiping and Hanking.

GAUSS

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FEB 23 1937

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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. Quatefen NARS, Date 12-18-75



EMBASSY OF THE
UNITED STATES OF AMERICA

No.

943

Peiping, December 29, 1936.

Subject: Japanese Complaint of "Atrocities" Perpe-
trated on Japanese School Children.

793.94

Grade	For	In U.S.A.	No.
	Sokobin	ONI MID	

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DEPARTMENT OF STATE

237 FEB 20 AM 12 17

COPIES SENT TO
O.N.I. AND M.I.D.

793.94/8512

The Honorable

The Secretary of State,

Washington, D. C.

Sir:

I have the honor to refer to the Embassy's telegram
No. 284, June 4, 5 p.m., and despatch No. 127 of June 5,
1936, from the Consulate at Tsingtao to the Embassy,
copies of which were sent to the Department directly,
concerning an alleged attack by Chinese upon a Japanese
school girl, and to enclose a copy of despatch No. 172
of December 18, 1936, from the Consulate at Tsingtao in
which Consul Sokobin reports a wave of similar alleged
attacks during recent days. Consul Sokobin does not
state whether he attempted to confirm the truth of the
reports

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1065


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-

reports of such attacks circulating among the Japanese community. The Embassy is of the opinion that such reports are either without basis or are highly exaggerated. It is significant, however, as pointed out by Consul Sokobin, that responsible Japanese in Tsingtao are nevertheless taking a grave view of the situation.

Respectfully yours,

For the Ambassador:


F. P. Lockhart,
Counselor of Embassy.

✓
Enclosure:

1/ Copy of despatch No. 172,
December 18, 1936, from
Consulate, Tsingtao.

Original and four copies to Department.
Copy to Embassy, Nanking.
Copy to Embassy, Tokyo.

710

PWM/kt

0070
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. 172

AMERICAN CONSULATE

Tsingtao, China, December 18, 1936.

Subject: Japanese Complaint of "Atrocities" Perpetrated on Japanese School Children.

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Peiping, China.

Sir:

I have the honor to report that members of the Japanese community are highly agitated because of "atrocities" which have been perpetrated on Japanese school children in the past few days. The Japanese school authorities are reported to be "alarmed" and are preparing to request the Japanese authorities to take appropriate measures. According to the TSINGTAO SHIMPO of December 17 the matter deserves special attention as the "atrocities" have occurred just about twenty four hours after withdrawal of the Japanese landing force had commenced.

The "atrocities" are alleged to consist of the beating of Japanese school children en route to and from school by Chinese students and also by Chinese adults. The Japanese state that sixty six cases by actual count of such "atrocities" occurred between the afternoon of December 15 and the morning of December

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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

- 2 -

ber 16. Instances of the attacks are cited; one of them includes that of an attack upon a Japanese girl in the second grade of the first primary school; she was "attacked by a Chinese youth with a club at the corner of Suiyuan and Tieh Hsien Roads, and her umbrella was smashed by the Chinese who disappeared laughing". A photograph of the corpus delicti is given in the newspaper; for the Embassy's information and record this photograph is enclosed.

While withdrawal of the troops continues apace, as late as yesterday afternoon some armed squads of the Japanese bluejackets were to be seen patrolling the streets. One which passed the consulate was surrounded by Japanese school children of the tender ages of 6 and 7 years. Whether these children were accompanying the guard or the guard accompanying the children is not known.

In this connection, reference is made to the incident involving Chinese and Japanese school children which occurred in May 1936, a report of which was made by this consulate in its despatches numbers 125 and 127, file no. 800 of June 2 and June 5 respectively, subject "Sino-Japanese Incident in Tsingtao". It will be recalled that as a result of a quarrel between Chinese and Japanese school children a series of humiliating demands were made on the Mayor of Tsingtao through the Japanese Consul General. Let it not be thought that these incidents are considered by the Japanese as a "storm in a teacup", which was the caption used by the

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0072

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

- 3 -

PEKING AND TIENTSIN TIMES in reporting the May incident. This consulate can assure the Embassy that there are Japanese of standing in Tsingtao who regard such incidents involving alleged attacks on Japanese school children as grave, calculated and premeditated inimical assaults born of anti-Nipponism.

Respectfully yours,

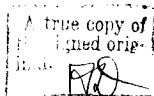
Samuel Sokobin,
American Consul.

Enclosure:

1. Photograph of corpus delicti.

800
SS/AD

Original and five copies to Embassy, Peiping,
Copy to Embassy, Nanking,
Copy to Tsinan-Chefoo.



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



EMBASSY OF THE
UNITED STATES OF AMERICA

No. **951**

Peiping, January 4, 1937.

Subject: Mill Strike at Tsingtao - Withdrawal
of Japanese Landing Party.

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U.N.I. AND M.I.D.

RECEIVED
DEPARTMENT OF STATE

JAN 25 1937

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The Honorable

The Secretary of State,

Washington, D. C.

Sir:

I have the honor to refer to the Embassy's
telegram No. 613, ⁸⁴³⁸ December 15, 6 p.m., reporting
the withdrawal of three hundred members of the
Japanese landing party at Tsingtao, and to enclose
1/ a copy of despatch No. 171 of December 16, 1936,
from the Consulate General at Tsingtao in which
Consul Sokobin states that the mills had resumed
operations with 70 to 85% of the employees in
attendance. With reference to the disposition of
the members of the landing party, he states that
about

JAN 25 1937

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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

- 2 -

about 300 marines had boarded Japanese men-of-war, that some were billeted in the Japanese school at Tsingtao and that some still remained at a number of the Japanese mills. The good atmosphere created by the settlement of the strike appears to have been marred by the bayoneting on December 14 of a Chinese on the principal passenger wharf at Tsingtao by a Japanese marine. There have, however, been no political repercussions from this incident.

2/ In a despatch No. 173 of December 24, 1936, a copy of which is enclosed, Consul Sokobin reports that on December 23 the complete withdrawal of the landing party had been effected, and that operations in the cotton mills were practically normal. Consul Sokobin intimates that the real reason behind the landing of the naval force on December 3 may have been the desire of the Japanese to demonstrate the use of landing forces which have recently been placed on Japanese naval vessels in Chinese waters. It is the view of the Embassy, however, that the strike troubles at Tsingtao were potential sources of serious labor disturbances, with possible anti-Japanese violence, and that the Japanese naval authorities believed the landing party was required for the protection of Japanese lives and property. The fact still remains, however, that the local Chinese authorities could probably have maintained law and

order

0075


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

- 3 -

order if left entirely free to do so.

Respectfully yours,

For the Ambassador:


F. P. Lockhart
Counselor of Embassy

Enclosures:

- 1/ Copy of despatch No. 171,
December 16, 1936, from
Tsingtao.
- 2/ Copy of despatch No. 173,
December 24, 1936, from
Tsingtao.

Original and 3 copies to the Department.
Copy to American Embassy, Tokyo.
Copy to American Embassy, Nanking.

850.4

PWM/rd

3076

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

1951

No. 171

AMERICAN CONSULATE

Tsingtao, China, December 16, 1936.

Subject: Situation at Tsingtao - Withdrawal of
Japanese Landing Forces.

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Beiping, China.

Sir:

I have the honor to refer to this consulate's
despatch no. 163 of December 12, 1936, file no. 800/
950.4, Subject: Situation at Tsingtao - Complete
Quiescing, and to this consulate's telegram of today
reporting the withdrawal of a portion of the Japanese
landing force.

The mills reopened yesterday morning with an
attendance of 70 to 85 percent of the total number of
the workers ordinarily employed. The mill managements
are understood to have been completely satisfied with
the manner in which the employees responded, although
it will probably be at least a full week before the
usual conditions obtain.

This morning 300 of the landing force boarded
the Japanese man-of-war in the Tsingtao harbor. The
remainder withdrew from some of the mills (not all)

and...

- 2 -

and are occupying billets at a large Japanese school in Tsingtao (the mills are eight to ten miles from the city). Whether the withdrawal today was made in accordance with the terms of settlement or whether the withdrawal had some connection with an incident which occurred yesterday is not known. The incident referred to is the bayoneting of a Chinese by a Japanese sailor at the principal passenger wharf in the port. The following account of the incident appeared in today's TSINGTAO TIMES:

"JAPANESE MARINE WOUNDS CHINESE AT WHARF.
Case Being Amicably Settled."

Tsingtao, Monday - A nasty incident occurred at No. 2 Wharf this morning about nine o'clock, when a Chinese shop-keeper in ignorance strayed into the cordon set around the Japanese cruiser KUMA, which since the 1st December has been moored alongside No. 2 Mole. The sentry, it is reported, told the man to move from the area, but the latter not complying smartly enough, the sentry thrust at him with his bayonet. The man immediately broke and ran, and the sentry unfortunately chased after him, finally catching up with him on the other side of the mole, and thrust his bayonet into his thigh to a depth of about four inches. The Chinese was seriously, though not dangerously, wounded, and was immediately taken to the Municipal Hospital, very weak from loss of blood.

"We understand that the authorities are anxious not to sensationalize the incident, and that they have already protested to the Japanese Consul-General and the Naval Headquarters, and that the matter is on the way to be settled in an amicable and satisfactory manner."

The TSINGTAO SHIMPO, the leading Japanese daily, carried an editorial today which in free translation is as follows:

"We offer our congratulations on the re-opening of the cotton mills and we express our appreciation of the good offices of both the Chinese and Japanese authorities concerned.

The...

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

- 3 -

The great services rendered by the landing force is particularly appreciated.

"In order to assure the non-recurrence of a similar incident, one fundamental point that must be established is an arrangement whereby the municipal administration may make a decision in any case without a prior request for instructions from the Nanking Government, which while engaged in the suppression of communism will not cooperate with Japan in the prevention of communism; nor is it an easy matter to clear up the situation here with the guidance of a government (Nanking) which does not agree with Japan's North China policy.

"It is all very well that the cotton mills have been reopened so soon; we regret however, that it does not mean that the cancer has been completely removed.

"The unfortunate fate which nearly everyone believes has befallen General Chiang Kai-shek, makes it advisable that the Tsingtao Municipality should no longer concern itself with Nanking but that it should courageously keep step with North China and that it should march along with Generals Yan Fu-chu and Xing Che-yuan. This by far would be the wisest step.

"We do not wish to appear to be elated by anyone's misfortune but frankly, the recent action of General Chiang Kai-shek has not satisfied us. It may be said that he has brought upon himself this misfortune. It is clear that China and Japan should combine to prevent an advance of foreign influence in the Far East, so as to preserve peace and order. Chiang Kai-shek was apt to utilize such foreign influence in checking Japan, and forgot Japan's desperate struggles in the past to maintain China's territorial integrity. In short Chiang Kai-shek is forgetful of the gratitude that is due from him and so long as he is that way it is not difficult to foresee that his career must be circumscribed.

"The so-called North China campaign of Japan is nothing but a plan to help the Chinese of North China to enjoy life no less than the Japanese. It accordingly behooves the Chinese authorities to awaken and to cooperate with the people of Japan".

Respectfully yours,

Samuel Sokobin,
 American Consul.

800/350.4
 SS/AD/CMI

Original and five copies to Embassy, Peking.
 Copy to Embassy, Nanking.
 Copy to Tsinan-Chefoo.

1079

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. 2951
TO DIRECTOR, CIA

No. 173

AMERICAN CONSULATE

Tsingtao, China, December 24, 1936.

Subject: Complete Withdrawal of Japanese Landing
Forces in Tsingtao.

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Peiping, China.

Sir:

I have the honor to refer to this consulate's despatch no. 171 of December 16, 1936, file no. 800/850.4, subject: Situation at Tsingtao - Withdrawal of Japanese Landing Forces, and to report that on December 23 complete withdrawal of the Japanese landing party was effected. The withdrawal commenced on December 15.

A statement was made by the officer commanding the landing force of the Japanese Third Fleet. In free translation this statement is as follows:

"It is a matter of congratulation that the local situation has taken a course which permits the complete evacuation of the landing party today. Peace and order of Tsingtao has now been restored as a result of our landing party and the cooperation of the Chinese and Japanese authorities which followed.

"We express our thanks to the Japanese residents of Tsingtao for their cool and intelligent action and their courtesy and good will which they extended to the landing party.

"Confident that the Chinese authorities will demonstrate their sincerity, it is my earnest desire that Chinese and Japanese will enjoy prosperity

in...

0080

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 -

in the city of Tsingtao and may that city be a haven of peace both in reputation and in reality.

"Notice is hereby given that should there be a recurrence of a situation endangering the lives and property of the Japanese residents, such steps as are deemed appropriate will be immediately taken to carry out the fundamental obligations of protection."

Out of a total of 12 Japanese men-of-war which were in port during the early part of December only three now remain.

Operations in the cotton mills are at present practically 100 per cent normal and outwardly the incident is a matter of the past. The Chinese authorities and the public have completely regained their confidence, while of course the Sianfu incident has completely overshadowed the local affair in common interest.

Some days ago in a casual conversation with the Japanese consul general (whose transfer, incidentally, to the post of counselor of embassy at Moscow has just been announced), I was given the impression that the Japanese sailors were landed to demonstrate promptly and forcefully the intention of the Japanese to curb without delay any incipient threat to the Japanese mills. It is not impossible that this explanation, simple as it may seem, is a fair statement of the reason for the Japanese action on the morning of December 3. It is of great interest in this connection to refer to the following paragraph which appeared in the State Department's Information Series No. 264 of October 9, 1936, THE FAR EAST, page 11:

"Hankow and Shanghai Incidents. News of the

Hankow...

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

- 3 -

Hankow and Shanghai incidents (see China) caused increased tension in the Japanese press, which reported that unanimity had finally been reached in Government circles with regard to fundamental principles that should be followed in dealing with the Sino-Japanese situation. The attitude of the Japanese Government, the press reported, would henceforth be much stronger. The Navy Department on September 21 issued a communique to the effect that as naval forces in China might be compelled to take 'measures of self defense', the Navy had decided to send landing forces to augment its units in Chinese waters."

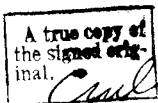
The consulate has underscored the last sentence of the above paragraph because it feels that this statement may throw some light on the reasons for the Japanese action in Tsingtao. Captain Charles C. Brown, Assistant United States Naval Attache, while passing through Tsingtao recently, informed the consulate that the landing force now attached to the Japanese Third Fleet is a special unit created for China and may be differentiated from landing parties such as are used by all navies from time to time as circumstances require. This special unit in the Japanese navy having been created, a little labor trouble in the Japanese mills in Tsingtao afforded an excellent opportunity for its use. Perhaps previous speculations on the motives and objects of the Japanese action were superfluous.

Respectfully yours,

Samuel Sokobin,
American Consul.

800/850.4
SS/CML

Original and five copies to Embassy, Peiping,
Copy to Embassy, Nanking,
Copy to Embassy, Tokyo, Japan,
Copy to Tsinan-Chefoo.



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

No. **958**

Peiping, January 5, 1937.

Subject: Reported Demand for Import Duties on
Petroleum Products by the "East Hopei
Anti-Communist Autonomous Government.

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note
892.512

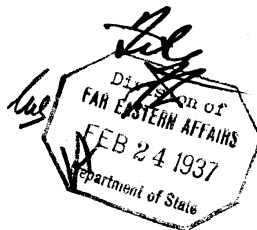
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DEPARTMENT OF STATE

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For	In U. S. A.		X

793.94/3514

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



Sir:

I have the honor to refer to the Embassy's
telegram No. 616 of December 16, 3 p.m., 1936,
and the Department's telegraphic instruction in reply,
No. 302 of December 21, 4 p.m., in regard to the
making of representations to the "East Hopei Anti-
Communist Autonomous Government" in connection with
robberies at Peitaiho Beach and the reported demand
for import duties on petroleum products by that
government, and to enclose for the Department's

information

312-1

F/FG

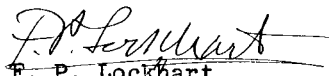
- 2 -

- 1/ information copies of Consul Berger's despatch No. 368 of December 5 to the Embassy, the Embassy's
- 2/ instruction of December 12 to Tientsin, Consul
- 3/ Berger's despatch No. 382 of December 23 to the
- 4/ Embassy, and the Embassy's instruction of December 30 to Mr. Berger.

The Department will note from Mr. Berger's despatch No. 382 of December 23 that two shipments of petroleum products have recently been made by the Standard-Vacuum Oil Company to its agents in the East Hopei area without molestation and that, as the situation now stands, Mr. Berger does not consider that any action by the American authorities is required.

Respectfully yours,

For the Ambassador:


F. P. Lockhart
Counselor of Embassy

✓
A Enclosures:

- ✓ 1/ Copy of despatch No. 368, December 5, 1936, from Tientsin.
- 2/ Copy of Embassy's instruction to Tientsin, December 12, 1936.
- ✓ 3/ Copy of despatch No. 382, December 23, 1936, from Tientsin.
- 4/ Copy of Embassy's instruction to Tientsin, December 30, 1936.

Original and 1 copy to the Department.
Copy to American Embassy, Nanking.

370

RLS/rd

312-2

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

TELETYPE No. 1958
TELESPACH No.

No. 368.

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN CONSULATE GENERAL

Tientsin, China, December 5, 1936.

SUBJECT: Payment of Additional Import Duties on
Petroleum Products to the "East Hopei
Anti-Communist Autonomous Government".

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Peiping.

Sir:

1/- I have the honor to transmit for the information of the Embassy, and instruction in the premises, a copy of a letter dated December 3, 1936, from the Tientsin office of the Standard-Vacuum Oil Company quoting a translation of "Instructions No. P1/2114 to the Asiatic Petroleum Company, Standard-Vacuum Oil Company and Texas Oil Company from the East Hopei Anti-Communist Autonomous Government" together with what purports to be the Chinese text of the "instructions" which were actually received only by the Asiatic Petroleum Company.

2/- It does not appear feasible for this office to take any effective action in this matter. The only solution which occurs to me is for the Central Government of China to return any sums paid out

312-3

3085
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 -

out by the American companies concerned in compliance with this instruction.

Respectfully yours,

David C. Berger,
American Consul.

Enclosures:

- 1/- Letter from Standard-Vacuum Oil Company, dated December 3, 1936.
- 2/- Chinese text, as above.

WY:mhp
370/800

Original and two copies to Embassy, Peiping.
Copy to Embassy, Nanking.

A true copy of
the signed original.
[Signature]

312-4

0086

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. 368 dated December 5, 1936, from David C. Berger, American Consul at Tientsin, China, on the subject "Payment of Additional Import Duties on Petroleum Products to the 'East Hopei Anti-Communist Autonomous Government.'"

(Copy)

STANDARD-VACUUM OIL COMPANY

North China Division

Tientsin: December 3, 1936

No. 319

Customs Duties:
East Hopei Area.

Mr. D. C. Berger,
American Consulate General,
TIENTSIN.

Dear Sir:

We quote hereunder translation of a notice received by the Asiatic Petroleum Co. from the East Hopei Anti-Communist Autonomous Government:

"Instructions No. Pi/2114 to APC, SVOC & TOC from EAST HOPEI ANTI-COMMUNIST AUTONOMY GOVERNMENT:

Subject: DUES ON IMPORTED OILS.

We hereby issue instructions to APC, SVOC and TOC that all kinds of commodities imported into or landed at any place within the jurisdiction of this Government should be reported to the local tax bureau for examination and are subject to a payment of dues. Certificates will be issued against the payment of such dues so that the cargoes can receive proper protection. Now we find that the quantities of oils imported into this territory by the above companies are considerable and, therefore, they are urgently required to pay dues in accordance with the regulations so as to respect the prestige of this government. Any activities of deliberate smuggling will be seriously dealt with upon discovery and this Government will not be responsible for any incident that occurs on such smuggled cargoes. The above companies are required to send in confirmations within a short time that they will adhere to the above instructions.

(Chopped) Yin Jih Keng, Executive
of The East Hopei Anti-Communist Autonomy Government.

Date

312-5

108

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 -

Date: December 1st 25th Year of the
Chinese Republic."

Although we have received no such notice as yet,
you will note that the instruction received by the
Asiatic Petroleum Co. purports to apply also to our
Company and the Texas Co.

Inasmuch as any levy on the part of the East
Hopei Anti-Communist Government is illegal, we would
appreciate your advices as to whether there is any-
thing that can be done to avoid payment of such
duties.

In this connection we attach copy of our letter
of today's date to the local Commissioner of Customs
on this matter.

Yours very truly,

STANDARD VACUUM OIL COMPANY,

(Signed) B. L. Meyer
B. L. Meyer
Manager - Tientsin.

WPC/DB

312-6

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

Tientsin: December 3, 1936.

No. 1878

Customs Duties:
East Hopei Area.

Mr. W. R. Myers,
 Commissioner of Customs,
TIENTSIN.

Dear Sir:

We quote hereunder translation of a notice received by the Asiatic Petroleum Co. from the East Hopei Anti-Communist Autonomous Government:

"Instructions No. P1/2114 to APC, SVOC & TOC from EAST HOPEI ANTI-COMMUNIST AUTONOMY GOVERNMENT:

Subject: DUES ON IMPORTED OILS.

We hereby issue instructions to APC, SVOC and TOC that all kinds of commodities imported into or landed at any place within the jurisdiction of this Government should be reported to the local tax bureau for examination and are subject to a payment of dues. Certificates will be issued against the payment of such dues so that the cargoes can receive proper protection. Now we find that the quantities of oils imported into this territory by the above companies are considerable and, therefore, they are urgently required to pay dues in accordance with the regulations so as to respect the prestige of this government. Any activities of deliberate smuggling will be seriously dealt with upon discovery and this Government will not be responsible for any incident that occurs on such smuggled cargoes. The above companies are required to send in confirmations within a short time that they will adhere to the above instructions.

(Chopped) Yin Jih Keng, Executive of
 The East Hopei Anti-Communist
 Autonomy Government.

Date: December 1st 25th Year of the
 Chinese Republic."

Inasmuch as the East Hopei Anti-Communist Autonomous Government is not recognized by the Chinese Central Government, the East Hopei area must still be considered as being within the jurisdiction of the Chinese Maritime Customs.

The

312-7

0089

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 -

The port of Tientsin is our normal supply point for the East Hopei area and on such stocks as we ship out of Tientsin to this area we pay the full Chinese Maritime Customs duties. Payment of such dues should exempt our stocks from any further levies within Chinese territory, if shipment is duly covered by Customs Conveyance Certificate as evidence that the duty has been paid in full. Therefore in the event of any further taxation on our stocks in transit or at destination, we presume that upon presentation of sufficient proof we will be entitled to a refund of the amount of such illegal taxation from the Chinese Maritime Customs.

We would appreciate your confirmation on this point.

Yours very truly,

STANDARD VACUUM OIL COMPANY,

B. L. Meyer,
Manager - Tientsin.

WPC/DB

312-8

冀東防共自治政府訓令

秘字第 2114 號

令

亞細亞公司
美孚公司
德士古公司

為令遵事查本政府轄區內各口岸如有輸入貨物自應向當地稅收機關報驗納費以便填給納費憑証俾可取得保障茲查該公司輸入油類為數頗多亟應照章納費以重權政倘有取巧隱漏情事除隨時查明取締外設有事故發生本政府概不負責除分令外合亟令仰該公司遵照並限文到即日內將遵令奉行情形尅日呈復勿稍違延切切此令

中華民國二十五年十二月一日

政務長官 殷汝耕

0091

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
958

CORRECT COPY
RD

Peiping, December 12, 1936.

David C. Berger, Esquire,
American Consul,
American Consulate General,
Tientsin.

Sir:

The receipt is acknowledged of your despatch No. 368 of December 5, 1936, in regard to the payment of additional import duties on petroleum products to the "East Hopei Anti-Communist Autonomous Government".

Before giving the matter further consideration, the Embassy desires to be furnished a copy of the reply, if any has been received, of the Commissioner of Customs to the Standard-Vacuum Oil Company's letter to him of December 3, a copy of which was enclosed with your despatch. The Embassy also desires to be informed whether that company and the Texas Company have now received notices from the East Hopei authorities similar to that received by the Asiatic Petroleum Company.

Very truly yours,

For the Ambassador:

F. P. Lockhart
Counselor of Embassy

RLS/rd

312-9

0097
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

3
958

NO. 582.

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN CONSULATE GENERAL
Tientsin, China,
December 23, 1936.

SUBJECT: Payment of Additional Import Duties on
Petroleum Products to the "East Hopei
Anti-Communist Autonomous Government".

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Peiping.

Sir:

In compliance with the second paragraph of the Embassy's instruction of December 12, 1936, regarding the payment of additional import duties on petroleum products to the "East Hopei Anti-Communist Autonomous Government", I have the honor to state that the Standard-Vacuum Oil Company has informed me that a reply from the Commissioner of Customs to their letter of December 3, 1936, enclosed a copy of a letter of the same date addressed to the Asiatic Petroleum Company and I enclose a copy herewith.

I have been further informed that neither the Standard-Vacuum Oil Company nor the Texas Company (China) Limited, has received any communication direct from the East Hopei authorities on this subject. Two shipments of petroleum products have been made to agents in the East Hopei area by the Standard-Vacuum Oil Company without molestation.

312-10 As the

009

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 -

As the situation now stands it would seem that no
action by the American authorities is required.

Respectfully yours,

David C. Berger,
American Consul.

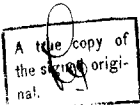
Enclosure:

1/, Copy of letter from Tientsin Commissioner
of Customs to the Asiatic Petroleum Co.

370

WY:1

Original and two copies to Embassy, Peiping.
Copy to Embassy, Nanking.



312-11

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. 1 to despatch No.
382 dated December 23, 1936,
from the American Consulate
General, Tientsin, on the
subject of Payment of Additional
Import Duties on Petroleum
Products to the "East Hopei
Anti-Communist Autonomous
Government".

Copy of letter from the Tientsin Commissioner to
the Asiatic Petroleum Co. (North China), Ltd.

Tientsin: December 3, 1936.

Dear Sirs:

I am in receipt of your letter of the 3rd inst.
transmitting translation of an official communication
dated 1st December 1936 addressed to the three senior oil
companies from the East Hopei Anti-Communist Autonomous
Government, calling upon you to pay dues in accordance
with their regulations. This is a matter which you should
take up with your national authorities. For my part, I
am forwarding a copy of your communication to the In-
spector General.

Yours faithfully,

(Sgd) W. R. MYERS,
Commissioner of Customs.

312-12

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. 4958
TO BE DESTROYED

CORRECT COPY
RD

Peiping, December 20, 1936.

David C. Berger, Esquire,
American Consul,
Tientsin.

Sir:

The substance of your despatch No. 368 of December 5, 1936, on the subject of the assessment of additional import duties on petroleum products by the "East Hopei Anti-Communist Autonomous Government" was referred to the Department which has replied to the effect that no useful purpose would be served in discussing the matter with that regime, and that the Department felt that it was inadvisable to make any representations in regard thereto. If an appropriate opportunity presents itself the Embassy at Nanking may bring this matter to the attention of the Ministry of Foreign Affairs at the capital, as a matter of record.

Very truly yours,

For the Ambassador:

F. P. Lockhart
Counselor of Embassy

370 Petroleum - East Hopei

Copy to Nanking

PWM/rd

312-13

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

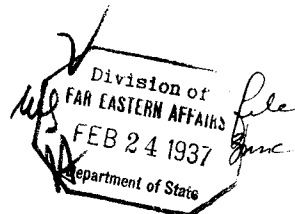
No. 991

Peiping, January 18, 1937.

Subject: Coup at Sian - Translation of
Propaganda Handbill.

For Distribution Check		Yes	No
Grade	<input checked="" type="checkbox"/>	To U.S.	<input checked="" type="checkbox"/>
For	<input checked="" type="checkbox"/>	In U.S.A.	<input checked="" type="checkbox"/>
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COPIES SENT TO
O.N.I. AND M.I.D.



RECEIVED
DEPARTMENT OF STATE

1937 FEB 20 PM 12 15

Handwritten initials

The Honorable

The Secretary of State,
Washington, D. C.

Sir:

I have the honor to enclose the translation
1/ of a handbill recently received by the Embassy
through the mails. The handbill is directed
against the alleged Ho-Umetsu Agreement, a
translation of which was sent to the Department
with the Embassy's despatch No. 332/7859 of March
27, 1936.

The handbill calls upon the people to
oppose civil war and demands that the Government
troops

793.94/3515

FILED
FEB 11 1937

F/HG

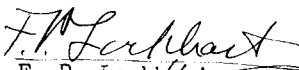
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
 Department of State letter, August 10, 1972
 By Milton D. Gustafson NARS, Date 12-18-75

- 2 -

troops sent to wage civil war be ordered to go to
 Suiyuan to fight the Japanese.

Respectfully yours,

For the Ambassador:


 F. P. Lockhart
 Counselor of Embassy

✓
 Enclosure:

1/ Translation of handbill.

Original and 4 copies to the Department.
 Copy to American Embassy, Nanking.

800 China

PWM/rd

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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Translation of a handbill

Please note this Ho-Umetsu Agreement - a bloody farce for betrayal of the nation by Ho Ying-ch'in, who is a coward in meeting the foreign foe but brave in civil warfare.

The Nanking Government issued an order on the 16th appointing Ho Ying-ch'in to be the Commander-in-Chief to start a big scale invasion on the Anti-Japanese allied armies of Chang (Hsueh-liang) and Yang (Hu-ch'eng) in the Northwest. Fellow citizens! The Nanking Government is again fomenting civil war at a time when foreign invasion is at a critical stage; and the object of this civil war is to attack the anti-Japanese forces of the Northwest. Rise! Let us together oppose this civil war, destroy this civil war. Demand that the Nanking Government send the troops fomenting civil war to Suiyuan to fight the Japanese.

Now let us turn our heads and have a look at the bloody history of betrayal of the nation by Ho Ying-ch'in, the ringleader in the civil war.

Everybody knows that North China has been betrayed by the Nanking Government as early as last summer, and the person in charge of the betrayal was Ho Ying-ch'in. The document of the betrayal is the "Ho-Umetsu Agreement", which startled the world.

On June 9th last year Commandant Umetsu of the Japanese Garrison at Tienstin ordered Sakai, Chief of

Staff

- 2 -

Staff, to present very serious demands to Ho Ying-ch'in. After many days' secret negotiations, the whole thing was finally accepted, and this was the so called "Ho-Umetsu Agreement". In the subsequent period, Chairman Sung has only been obeying the orders of Nanking, and has been forced to abide by the said agreement. Umetsu's letter and Ho Ying-ch'in's reply are hereby separately set forth in the following, to show the real facts.

Ho-Umetsu Memorandum

1. China has already agreed with the Japanese Army to enforce the following:

- (1) To dismiss Yü Hsueh-chung and Chang T'ing-o.
- (2) To dismiss Chiang Hsiao-hsian, Ting Chiang, Tseng Kuang-ch'ing and Ho Yi-fei.
- (3) To withdraw the Third Regiment of the gendarmerie.
- (4) To abolish the Peiping Branch of the National Military Council, Political Training Bureau, and the Peiping Military Journal Institute.
- (5) To suppress the secret organizations that may impede the friendship between the two nations as mentioned by Japan; their existence is not to be allowed.
- (6) To withdraw the Tangpu from Hopei Province; to withdraw the Peiping Branch of the Moral Endeavor Society.
- (7) To withdraw the 51st Division from Hopei Province.
- (8) To withdraw the 2nd Division and the 25th

Division

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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

- 3 -

Division from Hopei Province, to dismiss
the student training classes of the 25th
Division.

(9) To prohibit all Chinese anti-Japanese movements.
2. In regard to the aforementioned items, they shall be
enforced immediately, and the following are also agreed to:

- (1) All the things agreed upon with Japan shall
be enforced within the time-limit agreed upon.
All officers and organs that might cause
Sino-Japanese relations to change for the worse
are not permitted to be employed or established.
- (2) Concerning the employment of provincial or
municipal officials, it is necessary to accept
the desires of the Japanese side. People that
may unfavorably affect Sino-Japanese relations
are not to be employed.
- (3) For the enforcement of the items agreed upon
Japan may adopt a procedure for inspection and
regulation. This is written and forwarded as
an aide-memoire.

To Mr. Ho Ying-ch'in.

June 19, 10th year of Chao-ho.

Commandant Umetsu
North China Garrison Army.

Ho Ying-ch'in's letter of reply

Sir:

All the things proposed by Chief-of-Staff Sakai
on June 9th are accepted. In addition, I personally

hope

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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. Quisenberry NARS, Date 12-18-75

- 4 -

hope they will be effected. This information is especially
for Commandant Umetsu.

Ho Ying-ch'in.

July 6th, 24th year of the Chinese Republic.

Look at this document of betrayal of the nation:
how alarming it is for us! Now we firmly demand:

Abolish "Ho-Umetsu Agreement"!

Punish the traitor Ho Ying-ch'in!

Guarantee the sovereignty, independence and
territorial integrity of North China!

Oppose all civil warfare!

Declare war against Japan at once!

HG:EC/rd

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

To: Department of State

No. 396.

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN CONSULATE GENERAL

Tientsin, China, January 13, 1937.

CONFIDENTIAL

SUBJECT: Sino-Japanese negotiations on the status
of the Demilitarized Zone.

The Honorable

Nelson Trusler Johnson, *W and*

American Ambassador,

Peiping.

Sir:

I have the honor to refer to this Consulate General's despatch No. 388, dated December 31, 1936, on the subject of smuggling in the Tientsin district, touching inter alia on charges reported to be contemplated in the government of the Demilitarized Zone, and to its despatch No. 391, dated January 5, 1937, enclosing the political review for the Tientsin Consular District for the month of December, on page 6 of which review reference is made to the present status of that Zone's government, and, further in relation to this subject, to report that according to information given in confidence to an officer of this Consulate General last night by an official of the Municipal Government who is a confidant of one of the individuals hereafter named, negotiations are now in progress between

Division of
FAR EASTERN AFFAIRS
FEB 24 1937
Department of State

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FILED
MAR 5 - 1937

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- 2 -

between the Hopei-Chahar Political Council and the Japanese North China Garrison commanders and other Japanese military looking to the establishment of a commission for the governance of the Demilitarized Zone.

It was to effect this arrangement, according to the informant, that the resignation of Ch'en Chung-fu from the post of Chairman of the Foreign Relations Commission of the Hopei-Chahar Political Council was accepted, and Chia Te-yueh, a member of the Standing Committee of the Political Council, was appointed in his stead.

With the establishment of the Demilitarized Zone Commission, the official quoted alleged, Chia Te-yueh will become its Chairman, and General Liu Yu-shu, once the Commissioner of Public Safety of Tientsin, will become a member. General Liu is expected to take an active part in the work involved in the "rendition" of the Zone, and it has been rumored, according to the informant, that the General will succeed Yin Ju-keng as the "Governor" of the area, although the informant states that he does not believe that this will occur. As he understands the arrangement, there will probably be no one individual in administrative control of the Zone after Yin's resignation from his present position.

The informant did not know when this arrangement would go into effect, nor did he indicate clearly

- 3 -

clearly that it had actually been accepted by the Japanese, although he stated that he believed that the whole question would be settled within three or four months.

Pressure from various quarters upon the Hopei-Chahar Political Council to bring about a settlement of the East Hopei Issue has recently been considerable, the informant stated, and the Council believes it expedient to have some accomplishment such as the liquidation of the Demilitarized Zone Government to its credit in its dealings with the National Government, especially in view of the "misunderstandings" resulting from the two recent circular telegrams to which General Sung Che-yuan and General Han Fu-chu, the Chairman of the Provincial Government of Shantung, jointly attached their signatures.

The informant did not know what position would be given Yin Ju-keng as the price of his relinquishment of the "Governorship" of the "Autonomous Government", but he did not believe that he would be appointed Mayor of Tientsin, as was once proposed.

Until the outbreak of the Sian revolt, the Hopei-Chahar Political Council had hoped to follow a regular "order of business", the official quoted alleged, on which the settlement of the East Hopei question was first, that of Northern Chahar second, that of smuggling third, et cetera, but the mutinous action of General Chang Hsueh-liang, and the very confused situation in Northwest China which has resulted,

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

- 4 -

resulted, have embarrassed that program. The informant stated that the effect on the position of the Hopei-Chahar Council would be particularly unfortunate if it later became clear that the Sian revolt was inspired by the Chinese Communist Army, since it would give point to the oft-repeated Japanese assertion that North China was in real danger of being over-run by Communists.

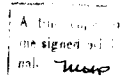
Respectfully yours,

David C. Berger,
American Consul.

800
RSW:mhp

Copy to Embassy, Nanking.
Five copies to Department without covering despatch.

5 carbon copies
D. J. - 7
Received
Inclined



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

DOCUMENT FILE

NOTE

SEE 893.00/14016 FOR Tel#87, 2pm

FROM China (Nanking) (Johnson) DATED Feb 23, 1937
TO NAME 1-1127 o.p.

REGARDING: Chinese policy toward Japan as outlined in manifesto summarizing the measures and policies adopted at the Third Plenary Executive Committee, the Kuomintang, which convened on Feb 15 and terminated Feb 22, 1937.

FRG.

793.94/ 8517

8517

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

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GRAY

Nanking via N.R.

Dated February 23, 1937

Rec'd 8:12 p.m.

Secretary of State

Washington

87, February 23, 2 p.m. (SECTION ONE)

One. The third plenary session of the Central Executive Committee, the Kuomintang convened on February 15 and terminated February 22. A manifesto summarizing the measures and policies adopted was published this morning. ✓

Two. Official reports state that 130 members were present and constituted gratifyingly large attendance. In every particular there is reliable evidence that the responsible authorities were disappointed at the failure to attend of several important provincial leaders including the Kwangsi leaders and Liu Hsiang, Provincial Chairman of Szechwan and others.

Three. It remains, as always, doubtful whether the deliberations and resolutions passed will influence public opinion throughout China but the published manifesto shows at least that some of China's leaders have a grasp of the country's political and economic problems both internal and international.

Four. The first section of the manifesto deals with policy toward Japan which is mentioned by name. This section ✓

NOTE
793.94

893.00 / 14016

U -2- #87, Feb. 23, 2 p.m. Sec. 1 from Nanking

section reiterates the determination formed at the second plenary session last July to follow the path of peaceful means of negotiation as long as possible but without tolerating infringement of territorial sovereignty or signing any agreement detrimental thereto. It recalls that "when bandits and irregular troops invaded Suiyuan the Government rallied the strength of the whole nation to defend the province and repulse the invaders". The manifesto announces the willingness of the Government to continue working for a preliminary adjustment of the Sino-Japanese relations "on the basis of equality, reciprocity and a respect of each other's territorial integrity" in order to deprive the "bandits and puppets of their present preponderance on external forces and to restore administrative and territorial integrity to China".

Five. Regarding relations with other nations the manifesto announces that China, in matters of political accord and economic cooperation, will work on the principle of reciprocity.

Six. The next section deals with domestic policies and economic reconstruction. It declares that China's guiding principle is that of democracy but significant emphasis is given the assertion that "the interests of the nation as a whole must remain over and above those of individuals and organizations". Apparently for the benefit of those provincial leaders who did not attend the session the manifesto emphasizes that the policy of the Government to

unify

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

U -3- #87, Feb. 23, 2 p.m., Sec. 1, from Nanking

unify the country through peaceful means does not mean that
"any attempt to split the state" will be nullified.

Seven. As was anticipated (see my 59, February 4, 2 p.m.), the session devoted considerable (*) to the settlement of the Communist problem. The manifesto blames the Communist forces for terroristic activities since 1927 "thus undermining the strength of the nation which otherwise they would ^{have} employed in resisting alien invasion" and announces that the cardinal policy of the Kuomintang is to eradicate the Communist scourge and insists that it is the duty of the Kuomintang alone to organize and train the masses for the task of national reconstruction. This subject was dealt with at great length in a resolution passed in 21 which revealed the original leniency of Sun Yat Sen, properly admitting Communists to the Kuomintang in 1924 and their subsequent abusing this through treasonable and rebellious activities up to recent days when the "Communist bandits" having been reduced to striats in the Northwest have begun to announce their alleged willingness to surrender. The resolution states that the Kuomintang is willing to give them a chance to reform but only on four major conditions which in brief require the complete cessation of all Communist activities and propaganda and of "class struggle".

Eight. The manifesto next recalls the postponement of the National People's Assembly and announces its convocation

on

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

U -4- #87, Feb. 23, 2 p.m., Sec. 1, from Nanking

on November 12, this year, for the purpose of adopting a constitution.

Nine. From the standpoint of the latter lying before foreign economic enterprises in China the last section of the manifesto is the most interesting. This is devoted to economic reconstruction and the policy outlined is one of modified state capitalism. The theories of Marx and of class struggle are repudiated because there is actually no rich class in China. A happy medium is found in the resolution "to increase the productivity of the people China should seek to develop state capital and at the same time to give due protection to private capital". The manifesto states "China has become poor under the double impact of foreign encroachments and the backwardness of her productivity". It announces a policy of fostering Chinese private enterprises where they are feasible and of converting into state enterprises large scale industries which by their nature can best be conducted by the Government. (SECTION TWO FOLLOWS)

KLP:HPD

JOHNSON

0 1 1

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

LMS

SPECIAL GRAY

Nanking via N. R.

Dated February 23, 1937

Rec'd 1:45 p. m., 24th.

Secretary of State,
Washington.

87, February 23, 2 p. m. (SECTION TWO)

Ten. See paragraph seven above. In spite of the stern conditions imposed by the manifesto for reconciliation with the Communist forces there are reliable indications that this reconciliation is proceeding along lines privately agreed upon. An official of the Executive Yuan states that the Communist forces agreed to abandon their Communist principles and ideals provided they were peacefully amalgamated with the Government forces. Another point pointing to settlement of the controversy by negotiations is found in the proclamation that the Government stores of ammunition and money in Sian were returned intact. It is reported that no Communist leaders will be given positions in the government (?) (?) (?) (?) (?) more that (as I have been informed by the reto (?)) the Minister for Foreign Affairs (?) administrative veteran (?), his (?) (?), have tendered their resignations since both (?) (?) (?) Japanese and admit nominally of the pro-Japanese faction and their replacement we suggest

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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

LMS 2-No. 87, February 23, 2 p. m., Sec. 2, from Nanking.

suggest the appearance of a concession to the demand of
the Communists for a stronger attitude toward Japan. It
is publicly rumored that (?) places will be taken by (?)
Chung Hui and a (?) (?) choice. Sent to the Department, by
mail to Peiping. (END OF MESSAGE) February 24, 1 p. m.

JOHNSON

CSB

Note: Repetition entire cable requested.
Telegraph room.

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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DOCUMENT FILE

NOTE

SEE 893.00 P.R. Tientsin/103 FOR #

FROM Tientsin (Berger) DATED Jan 5, 1937
TO NAME 1-1127

Sino-Japanese relations:

REGARDING: Situation in Suiyuan; affairs of the Hopei-Chahar Council;
East Hopei Regime.

FRG.

793.94/ 8513

8518

793.94
(pg 1-6)

II. FOREIGN RELATIONS

A. Relations with the United States.

Nothing to report.

B. Relations with other Countries.

1. Japan.

a. Situation in Suiyuan.

(1) Feng for Defense. In a striking and popular address delivered on December 1 over a national radio hook-up, General Feng Yu-hsiang (馮玉祥) reviewed the course of Japanese aggression in China during the last five years, and declared, in effect, that the strategic importance of the Province of Suiyuan made its defense essential to the salvation of China.

(2) Counter-attack Fails. Press reports indicated that a large-scale counter-attack by the irregular forces on Pailingmiao carried out during the first week in December was repulsed with considerable loss to the attackers. The defense line of the Suiyuan troops was thereafter pushed out well beyond the former Mongol base.

(3) Defections among Irregulars. Demoralized by the series of defeats which they had suffered at the hands of the Suiyuan defenders, and probably considerably affected both by the propaganda of their fellow Chinese who had remained loyal to the provincial and national Government, and by the liberal promises of clemency and reward for a return to allegiance which had been made by Generals Chiang K'ai-shek (蔣介石) and Yen Hsi-shan (閻錫山) during

November

-2-

November⁽¹⁾, some seven of the important subordinate commanders of the irregular Chinese forces voluntarily submitted to the Government leaders, bringing with them considerable quantities of military equipment, and a force of men estimated to number between three and five thousand. For some days it was persistently reported in the vernacular press of Tientsin that Wang Ying (王英), who possesses perhaps the largest personal following of any of the irregular leaders, was himself negotiating for the "re-organization" of his troops under Suiyuan standards.

(4) Tamiao Captured. Apparently authentic press accounts reported the occupation of Tamiao, the secondary base from which the irregulars had attempted in vain to retake Pailingmiao, and said to be located between sixty and seventy miles to the northeast of the latter temple, on the morning of December 10. It may be pertinent to note here that earlier press reports had represented Tamiao as having been successfully defended by the Suiyuan troops, and that accounts issuing from Japanese sources indicate that the irregulars may have abandoned the place without fighting. In any case it seems certain that the Suiyuan forces are now in possession of it, and have so far apparently been completely successful in effecting their mission, that is, the defense of the borders of Suiyuan against the irregulars, whose

objective

(1) See page 3 of this Consulate General's Political Review for the month of November, 1936 - Despatch No. 367, December 5, 1936, to Embassy, Peiping.

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objective was the capture of that province.

(5) Teh Wang Desists. A surprising and unexpected diversion in the attack on Suiyuan was afforded on December 18, when it was announced that the Central Government in Nanking had on December 17 received a wire from Prince Teh, erstwhile Mongol autonomist, and the most influential Mongol leader among the irregulars, stating that he had ordered his troops to desist from fighting to enable the Central Government to devote its full attention to the liquidation of the Sian crisis. It was reported that General Fu Tso-i (傅作義) believed that this gesture was only a trick "to slake the thirst" of the loyal Suiyuan troops, but it should perhaps be recalled in this connection that the Prince probably never had any quarrel with the Central Government, to which he repeatedly affirmed his allegiance up to the outbreak of the present fighting; it is very possible that the military adventure into which "certain nationals" have forced him is, so far as he himself is concerned, directed only against General Fu Tso-i, a personal enemy, and a man against whom he believes he has many just grievances.

b. Affairs of the Hopei-Chahar Council.

(1) Policy in Suiyuan Conflict. A second full conference of all the ranking commanders of the 29th Army in Hopei on the question of the policy of that Army toward the irregulars who are using Northern Chahar

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Chahar as a base from which to attack Suiyuan was called by General Sung Che-yuan (宋哲元), the Chairman of what is in title at least the Hopei-Chahar Political Council, during the early days of the month. It was evidently decided to continue to refrain from intervention, and later in the month General Sung was believed to have hinted to Chinese pressmen and others that this stand was taken on orders from the National Government.

(2) "Independent Critic" Suspended.

For an article attacking this policy, and questioning the raison d'etre of the Council itself, the nationally-known and widely read TU LI P'ING LUN ("The Independent Critic"), edited by Dr. Hu Shih (胡適), foreign educated scholar and philosopher, was forbidden to continue publication.

(3) Matsumuro Transferred. Major

General Takayoshi Matsumuro, the Japanese Resident Officer of the North China Garrison in Peiping, who came to North China to succeed the notorious Doihara as the unofficial Japanese military high advisor to the Hopei-Chahar Political Council, was during December transferred to Japan and was to be relieved by a Colonel Matsui, who was the head of the Japanese Military mission in Kalgan. This change is believed to be one of considerable political significance, as indicating the gradual recession of Japanese influence in North China which has become marked in the last fortnight.

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fortnight.

(4) Council to Retrench. A further indication of that recession is to be found in the reported decision of the Council to enter upon a general retrenchment program, involving the reduction by fifty per cent of the staffs of at least two of the important Commissions of the Council. According to a vernacular press report⁽²⁾, thirty members (as distinct from employees) of the Communications Commission were discharged on December 1.

(5) Li's Conferences. Li Jsu-hao (李思浩), Chairman of the Economic Commission of the Council, is quoted as having stated in a press conference early in December that negotiations directed toward Sino-Japanese co-operation in the exploitation of North China were still proceeding, rumors that they had been disrupted as a result of the irregulars' attack on Suiyuan to the contrary notwithstanding. His own statements in this interview appeared, however, to confirm the view held among informed Chinese, that Chinese capital is definitely unwilling, and Japanese capital at least hesitant, to come into North China as long as the present situation obtains here.

(6) New Members. Five "supervisory members" were reported in the vernacular press as having been added to the Council during December.

c. East Hopei Regime.

(1) Propaganda Handbills. Propaganda handbills were scattered over Peiping and

Tientsin

(2) TA KUNG PAO, December 8, 1936.
YUNG PAO, December 9, 1936.

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Tientsin by the lone airplane of the East Hopei regime in the first week of the month. One of these purported to be an attack on the Kuomintang by Prince Teh, the Mongol leader - who, it will be recalled, is supposed to have received financial support from East Hopei - and the other was an address by Yin Ju-keng (殷汝耕), self-styled "Governor" of Chitung.

(2) Opposition to party "Dictatorship". In the Sian emsute, Yin found an opportunity to issue a declaration attacking the "dictatorship" of the Kuomintang party.

(3) Rumors of Dissension. Rumors of serious dissension within the "Government" of the "Autonomous" regime in the De-Militarized Zone continued to circulate throughout December. It is becoming more and more apparent that Yin's hold on his present post is an extremely tenuous one.

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DOCUMENT FILE

NOTE

SEE 893.00 P.R. Swatow/110 FOR #21

FROM Swatow (Ketcham) DATED Jan 6, 1937
TO _____ NAME _____ 1-1127 GPO

REGARDING: Sino-Japanese relations: local developments during month of
Dec., 1936.

793.94/8519

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Japan.

7/93.94
 From December 29 to the end of the month three Japanese destroyers were in port. Their presence here was attributed in part to a minor incident in Chaoshowfu (潮州府), involving a Korean woman, who reported that she had been struck by some boys, when she complained that the fire crackers set off outside of her residence on December 25 to celebrate Marshal Chiang Kai Shek's release were annoying her. It is known that the Japanese Consul made representations regarding this incident to the Mayor's Office.

The Japanese are gradually getting control of the fishing industry along this coast, and three Japanese fishing concerns with a combined capital of \$13,000,000 are now operating in the waters of this district, and many Chinese fishermen have signed three year contracts to man the Japanese fishing fleet, according to the Wen-tow, Shen-tao (Newspaper) (汕報). The district of Nan-oo (南澳) is said to be suffering and is gradually being depopulated.

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NOTE

SEE 893.00 P.R. Shanghai/99 FOR #558

FROM Shanghai (Gauss) DATED Jan 11, 1937
TO NAME 1-1127 dpo

REGARDING: Sino-Japanese relations locally, summarized: Further relaxation
of the strained-

FRG.

793.94/8520

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(pg 4-7)

Interior.

B. Relations with Other Countries.

Japan. There was during the month of December a further relaxation locally of the strained relations which have existed between China and Japan since September 1936. The serious strike situation existing in the Japanese cotton mills throughout November was completely liquidated in early December, and there was a conspicuous absence of attacks on Japanese subjects during the month. Members of the Japanese Landing Party continued, however, to patrol certain areas in the Hong-kew section of the International Settlement.

Following the presentation of an aide-memoire by Ambassador Kawagoe to Foreign Minister Chang Chun on December third, recounting the past proceedings of Sino-Japanese negotiations but which was rejected by the latter as being an inaccurate version, the former arrived in Shanghai on December fifth. He immediately gave an

interview

*Despatch No. 564 of December 28, 1936.

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interview to the press in which he paid tribute to the devotion of the younger Chinese officials at Nanking and admitted that Japan must acquire a new concept of China. At the same time he was careful to point out that, while he was pessimistic over Sino-Japanese negotiations, his departure from Nanking did not signify a rupture of relations. Subsequently, he was quoted in the SHANGHAI MAINICHI as saying that agreement in principle on all pending issues between China and Japan, excepting cooperation against Communism, had been reached and that it was now up to the Chinese authorities sincerely to carry out their commitments; and DOMEI, the Japanese news agency, came out about the same time with an article of similar import announcing that China had agreed to five proposals which were: (1) establishment of direct air traffic between China and Japan; (2) revision of Chinese import tariff; (3) control by Chinese Government of unlawful activities of Koreans; (4) employment of Japanese advisers; and (5) suppression of anti-Japanese activities. In reply to these reports the CENTRAL NEWS AGENCY, the Chinese official news agency, released an article dated December sixth, the source of which was obviously official, giving a concise elucidation of China's desire and formula for the adjustment of Sino-Japanese relations with a review of the negotiations between the Japanese Ambassador and the Chinese Foreign Minister. Briefly, the Chinese contention was that "it is imperative for the two countries to liquidate their differences on the principle of equality and

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and reciprocity, and mutual respect for each other's sovereignty and territorial integrity." Refuting Japanese reports that agreement had been reached on the five proposals enumerated above, the article concluded by lucidly recounting the basis on which China could accept such proposals, namely, complete equality and reciprocity. The Japanese Foreign Office on December tenth released a communique which reiterated substantially the statements made by the Japanese Ambassador in Shanghai and the report carried by DOMEI, as reported above, and the Chinese Foreign Office promptly replied with a statement denying the Japanese contention and again pointing out the formula whereby the issues might be settled.

Following the incidence of the Sian coup on December twelfth, Sino-Japanese negotiations were relegated to the background. Ambassador Kawagoe remained quietly in Shanghai, while the Japanese Consul General at Nanking continued negotiations with Mr. Kao Tsung-wu of the Chinese Foreign Office which resulted in an agreement being reached at the end of the month for the settlement of the Chengtu and Pakhoi incidents, the terms of which included substantial indemnities and the usual apologies and assurances. At the end of the month Sino-Japanese relations were perhaps easier than has been the case for several months. However, the Japanese followed closely the evolution of events at Sian and at the end of the month were, like others, endeavoring to assess the causes, terms, and results of the Sian coup, especially in the light of Japan's avowed antagonism to Communism.

The appeals of the two Chinese defendants sentenced to death, Marine, Nakayama,

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heard in the Kiangsu Second High Court on December second and ninth, were dismissed by the court. At the end of the month it was understood that the defendants would appeal to the Supreme Court at Nanking. Meanwhile, two of the eight Chinese defendants standing trial in the Shanghai District Court on charges of murdering the Japanese merchant, Kayau, were sentenced to death and the others were given varying prison sentences. It was indicated that the two defendants sentenced to death would appeal but no appeal had materialized at the end of the month.

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

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NOTE

SEE 893.00 P.R./129 FOR Desp.#974

FROM China (Lockhart) DATED Jan.12,1937
#81 NAME 1-1127 670

REGARDING: Relations between China and Japan: Sino-
Japanese Negotiations at Nanking: Reports --

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793.94/ 3521

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B. Relations with Other Countries.

1. Japan.

a. Sino-Japanese Negotiations at Nanjing.

On December 8 the Japanese Ambassador left an aide memoire with the Minister for Foreign Affairs purporting to recount the past proceedings of the Sino-Japanese negotiations and stating that agreement had been reached in principle on the following points:

1. Establishment of Sino-Japanese air service.
2. Reduction of China's tariff.
3. Control by Chinese authorities of anti-Japanese Koreans residing in China.
4. Employment of Japanese advisers by the Nanjing Government.
5. Suppression of anti-Japanese activities.

This

3. Peiping's despatch No. 943, January 4, 1937.

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This aide memoire was rejected by General Chang Chun, and on December 8 the Foreign Office released a statement giving the position of the Chinese Government in detail. The release has been summarized by the Embassy at Nanking as follows:

1. The Chinese Government is prepared to inaugurate a civil air line between Shanghai and Fukuoka as soon as the unauthorized and illegal flights of Japanese airplanes over Chinese territory are stopped.

2. The revision of China's tariff is a domestic affair. When tariff readjustment is studied the suppression of smuggling and the freedom of the Customs Preventive Service will be the first questions studied.

3. With reference to the unlawful anti-Japanese activities of Koreans in China, the Chinese Government does not like to see these acts committed on Chinese soil. At the same time the Japanese Government should suppress the other unlawful activities of its subjects, Koreans, Formosans and others, committed on Chinese territory under Japanese protection.

4. The employment of foreign advisers depends upon their ability, not their nationality. Should Sino-Japanese relations improve, it would not be impossible for China on its own initiative to employ Japanese technical experts.

5. Orders have repeatedly been issued stressing the necessity of maintaining friendly relations with foreign nationals. However, cognizance must be taken of the fact that much cause exists inciting the people against Japan.

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No further conversations took place between General Chang CH'an and Mr. Kawagoe during December. There were, however, a number of meetings between their subordinates at which it was understood they confined their discussions to the settlement of the various incidents relative to attacks on Japanese nationals in China.

4

b. Chengtu and Pakhoi Incidents Settled.

The Chengtu and Pakhoi incidents were settled by an exchange of notes released to the press on December 30. The Chinese Government expressed its regret for both occurrences, stated that the responsible officers had been dismissed or punished, and that the two principal culprits in the Chengtu case had been executed. There were forwarded with the note substantial compassionate grants for the families of the victims.

c. Situation in Suiyuan.

According to the press the "irregular" forces made a counter-attack of considerable proportions on Pailingmao during the first week of December and were repulsed with heavy losses. The defense line of the Suiyuan troops was thereafter advanced well out beyond the previous base of the "irregular" forces. The Suiyuan troops are now in possession of Tamiao, the "irregulars'" former second line base, which is more than sixty miles to the northeast of Pailingmao.

Demoralized by defeat and also persuaded by

propaganda

4. Hanking's telegram No. 783, December 31, 12 noon.

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propaganda and promises of reward, seven important subordinate commanders of the "irregular" forces deserted to the Government troops bringing with them men estimated at between three and five thousand and considerable quantities of military equipment.

It was rumored during the month that Sang Ying, the bandit chief, was considering transferring his allegiance and Prince Teh is alleged to have telegraphed Nanking on December 17 that he had ordered his troops to cease fighting in order to enable the Central Government to devote its entire attention to the crisis in Sian.

At a conference held early in December between General Sung Che-yuan, Chairman of the Hopei-Chahar Political Council, and the ranking commanders of the 99th Army in Hopei it was apparently decided not to take any action against the "irregulars" who were using Northern Chahar as a base from which to attack Suiyuan. General Sung is understood to have hinted that this attitude was dictated from Nanking.

On account of the publication of an article attacking this policy and questioning the raison d'etre of the Hopei-Chahar Political Council the Independent Critic edited by Dr. Hu Shih was made to suspend publication, according to reports current in Peiping.

B

d. Matsumuro Transferred.

Major General Takayashi Matsumuro was succeeded during the month as the Japanese Resident Officer

5. Peiping's telegram No. 586, December 4, 1 p.m.

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Officer of the North China Garrison in Peiping by Colonel Matsui, who was the head of the Japanese military mission in Kelgan.

e. Hopai-Chahar Political Council to Retrench.

The Consulate General at Tientsin believes that an indication of improved conditions in North China is to be found in the alleged decision of the Hopai-Chahar Political Council to embark upon a program of retrenchment involving the reduction by fifty per cent of the staffs of several of the important commissions of the Council. The Chinese press announced in fact that thirty members of the Communications Commission were discharged on December 1.

f. Discontent in East Hopai Regime.

Rumors of serious disagreement among the members of the East Hopai Anti-Communist Autonomous Government were circulated during the month which made it seem more apparent that Yin Ju-keng's position is not too stable.

g. Complaints Against Japanese Fishing Activities.⁸

There was considerable publicity in Canton during the month regarding the alleged urgent need of rescuing the South China fishing industry from Japanese encroachment. It was maintained that large subsidized Japanese fishing companies not only encroach

Continually

6. Canton's Monthly Report for December, 1936.

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continually in Chinese territorial waters to the detriment of Chinese fishermen but also take advantage of the latter's poverty and ignorance.

Three Japanese fishing concerns with a combined capital of \$2814,000,000 are operating in the waters of the Swatow district.

h. Tsingtao Cotton Mill Strike.

Following a decision on December 7 by the nine cotton mills in Tsingtao to close their doors 1,000 Japanese sailors were landed and virtually occupied the mill section of the city, while 12 Japanese Men-of-War were anchored in the harbor. The Chinese Government protested and demanded the landing forces' immediate withdrawal. Within a week or ten days an understanding was reached between the Chinese and Japanese authorities. The mills resumed operations on December 14 but the last of the landing party did not leave Tsingtao until December 23.

i. Smuggling in North China.

Mr. Sun Wei-tung, Superintendent of the Tientsin Customs, who had just returned from a conference in Nanking convoked to discuss means of suppressing smuggling in North China, stated in a press interview on December 5 that "the total revenue losses of the Tientsin and Chinwangtao Customs Houses

from

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- 7. Swatow's Monthly Report for December, 1938.
 - 8. Peiping's telegram No. 1883, December 8, 3 p.m.
 - 9. Peiping's telegram No. 808, December 18, 4 p.m.

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from January to October this year (1938) are estimated at \$16,000,000¹⁰, and that although the means of transporting smuggled goods had changed, smuggling was as rampant as it had been last spring.

On December 3 and 4 seventeen truckloads of smuggled goods were detained at Loling and other points¹¹ in Shantung and then taken to Tsinan. On December 23, however, after lengthy negotiations the trucks and their contents were turned over to the Japanese Consul General allegedly as the result of an agreement reached that the Japanese would not engage in smuggling in Shantung thereafter. The reaching of such an agreement was denied by the Japanese Consul General.

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NOTE

SEE 893.00 P.R./130 FOR Desp.#308

FROM China (Nanking) (Johnson) DATED Jan. 9, 1937
1911 NAME 1-1127 ...

REGARDING: Sino-Japanese relations: Negotiations at Nanking:
Reports regarding -, and other developments in
connection with relations between the two countries.

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1. Relations with the United States.

Nothing to report.

2. Relations with Japan.

Sino-Japanese negotiations at Peking

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Early in the morning of December 3 the Chinese landed a large naval force at Tsingtao for the announced purpose of protecting the Japanese action in that area which had declared a complete boycott in retaliation for the striking Chinese workers. On the same day the Chinese Ministry of Foreign Affairs addressed to the Japanese Embassy a note protesting against the landing of an armed force on Chinese territory and demanding its immediate withdrawal. In addition to this the Chinese Minister for Foreign Affairs invited the Japanese Ambassador to call on the Foreign Office at 7:00 in the evening and orally reiterated the Chinese protest.

Mr. Langguth seized upon this opportunity to present to the Chinese Foreign Minister a long aide memoire recounting their seven previous conversations concerning Sino-Japanese relations. It was reported that the aide memoire asserted that agreement in principle had been reached on the following five points and requested the Chinese Government to implement these decisions:

1. Establishment of Sino-Japanese air service.
2. Reduction of China's tariffs.
3. Control by Chinese authorities of anti-Japanese Koreans residing in China.
4. Employment of Japanese advisors by the Peking Government.
5. Suppression of anti-Japanese activities.

According to

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According to reports a heated discussion took place between General Chang Chun and Mr. Inoué, the outcome of which was that General Chang refused to accept the aide memoire on the ground that it was not a true record of the previous conversations, in spite of which Mr. Inoué insisted upon leaving it. The following morning the Chinese Foreign Office returned a document to the Japanese Embassy. The Japanese Embassy was reported as incensed at this action and a spokesman of the Embassy was quoted as having stated that if the Chinese Foreign Office disavowed all of the statements made in the aide memoire its proper course of procedure would have been to so advise the Japanese Embassy in a written communication.

According to the semi-official Central News Agency the aide memoire was on the following morning again transmitted to the Ministry of Foreign Affairs by the Japanese Embassy, whereupon the Foreign Office in a formal communication informed the Japanese Embassy that as the document was not a faithful record of the interviews between General Chang and Mr. Inoué it could not be regarded as a basis for reference.

As a result of the reports which grew out of this incident to the effect that the Chinese Government had agreed to a number of the Japanese demands, the Ministry of Foreign Affairs on December 6 released a long statement recounting the position of the Chinese Government with reference to the five points mentioned above. The release may be briefly summarized as follows:

1. The Chinese Government is prepared to inaugurate a

civil

*Banking's telegram No. 341 of December 8, 12 noon.

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civil air line between Shanghai and Tokyo as soon as the unauthorized and illegal flights of Japanese airplanes over Chinese territory are stopped.

2. The revision of China's tariff is a domestic affair. When tariff readjustment is studied the suppression of smuggling and the freedom of the Customs preventive service will be the first questions studied.

3. With reference to the unlawful anti-Japanese activities of Koreans in China, the Chinese Government does not like to see these acts committed on Chinese soil.

At the same time the Japanese Government should suppress the other unlawful activities of its subjects, Koreans, Koreans and others, committed on Chinese territory under Japanese protection.

4. The employment of foreign advisers depends upon their ability, not their nationality. Should Sino-Japanese relations improve, it would not be impossible for China on its own initiative to employ Japanese technical experts.

5. Orders have repeatedly been issued stressing the necessity of maintaining friendly relations with foreign nationals. However, cognizance must be taken of the fact that such cause exists inciting the people against Japan.

No further meetings took place between General Cheng Chuan and Mr. Sawaguchi during December. However, a number of conferences were held between Mr. Guss, First Secretary of the Japanese Embassy, and Mr. Kuo Tsung-wu, Director of the Department of Asiatic Affairs of the Ministry of Foreign Affairs. It is generally believed that the discussions between these two officials concerned the settlement of the various incidents involving attacks

upon

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Upon Japanese subjects in China.

Chongtu and Lashoi incidents settled

On December 30 the notes exchanged between the Chinese Ministry of Foreign Affairs and the Japanese Embassy settling the Chongtu and Lashoi incidents were released to the press in Chinese and English. The Chinese Government expressed regret over the occurrence of both incidents and stated that the following concrete steps had been taken:

Chongtu Incident The garrison commander and the chief of the Bureau of Public Safety at Chongtu had been relieved of their posts and other responsible officers punished. The two principal culprits had been executed and four others sentenced to various terms of imprisonment. With the note was forwarded Yuan 400,000 to fund a compassionate grant to the families of the two Japanese who were killed and to pay the medical expenses and cover the actual damages of the two Japanese who were injured.

Lashoi Incident Officers in charge of the garrison at Lashoi had been dismissed. Those found guilty had been punished in accordance with the degree of their complicity in the affair. The Ministry forwarded with its note Yuan 20,000 as a compassionate grant to the family of the Japanese who was killed.

The press has reported that settlement of the Hankow and Shanghai incidents will soon be announced.

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

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NOTE

SEE 893.00 F.R. Hankow/116 FOR #227

FROM Hankow (Jarvis) DATED Jan 11, 1937
TO NAME 1-1127 270

REGARDING: Sino-Japanese relations: Hankow Consular report for the month
of Dec., 1936.

Support for Suiyuan Warriors; Tension relaxes over the Yoshioka
murder case; Settlement of Chengtu Incident

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

1. Japan

a. Support for Suiyuan Warriors

The Sian revolt and the widespread concern over the personal safety of Generalissimo Chiang Kai-shek so

I Tel., Dec. 6, 10 p.m.; despatches, No. 369, Dec. 8 and No. 373, Dec. 19.

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overshadowed the military situation in Suiyuan that even the Wuhan street lecturers, formerly conducting campaigns for funds to encourage the Suiyuan warriors, changed their topics to depict the crimes of the "Young Marshal."

b. Tension Relaxes over the Yoshioka Murder Case

Chinese and Japanese military preparations in and around the Hankow Japanese Concession following the murder of Japanese police constable Yoshioka on September 19¹ were less evident during December. Some of the barbed wire barricades have been removed and a number of Chinese families who evacuated the Japanese area immediately after the murder have returned to their former residence. Except for the completion of the chain of Chinese "pill boxes" outward signs of tension over this incident have about disappeared. The prediction that this case would be settled by negotiation at Nanking along with the Chengtu and Pekhai incidents was not fulfilled.

c. Settlement of Chengtu Incident

After protracted negotiation between the Ministry of Foreign Affairs and the Japanese Embassy, notes were exchanged on December 30 for a settlement of the Chengtu Incident, which occurred in the Szechuan capital on August 24, 1936, when two Japanese were injured and two others killed by a rioters mob.²

The

1 Political Report for September, 1936, page 3.
2 Political Report for August, 1936, page 3.

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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

-5-

The note from the Chinese Government expressed sincere regret to the Japanese Government and admitted that although the local authorities had taken measures to suppress the disorder and give protection to the victims, nevertheless the garrison commander and the chief of the Public Safety Bureau were found negligent and were relieved of their posts. Five other Chinese officials connected with the Garrison Headquarters and the Public Safety Bureau at Chengtu were similarly penalized. Besides the execution of the ringleaders, four other accomplices were given various terms of imprisonment.

For the two deceased newspaper representatives, Mr. Keiji Fukagawa and Mr. Kozaburo Watanabe, the Chinese Government gave their respective relatives an amount of money to cover the actual damage suffered, as well as a compassionate grant. Likewise, the two injured businessmen, Mr. Takeo Tanaka and Mr. Shoichi Seto, were each reimbursed for medical expenses and paid an additional sum for damages. The total indemnity paid to settle this incident amounted to \$98,887.10, Chinese currency.

A "Reuter" report from Tokyo on December 31 states that the Japanese authorities have again announced their intention of opening a Japanese Consulate General in Chengtu. Since it was this question that led to the Chengtu Incident, reliance on the report should await confirmation.

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

793.94

DOCUMENT FILE

NOTE

SEE 893.00/14022 FOR Tel #70, 2pm

FROM China (Lockhart) DATED Feb 26, 1937
 TO NAME 1-1127 ***

REGARDING: The Third Plenary Session of the Central Executive Committee,
 Nanking, Feb 15 to Feb 22, 1937; North China situation.

FRG.

793.94/3524

8524

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

7-2

U

GRAY and SPECIAL GRAY

Peiping via N.R.

Dated February 26, 1937

Rec'd 7:25 a.m.

Secretary of State

Washington

70, February 26, 2 p.m.

113973

Reference Embassy's telegram No. 61, February 15,
 6 p.m.

*mtb
773.94*

One. No (repeat no) change has taken place in the North China situation. An official of the local Japanese authorities expresses doubt that the Third Plenary Session at Nanking made any decision with regard to North China questions.

Two. Although it appears that the Japanese military are dissatisfied with the situation for such reasons as the apparent lack of progress in Sino-Japanese economic cooperation in regard to China and because of General Chin Teh Chun's attendance at the Third Plenary Session as Sung Che Yuan's representative, there is no (repeat no) indication that the quiet situation here will be altered in the near future. Small incidents involving Japanese which occur periodically are not (repeat not) now magnified as they were a short time ago. Local Chinese appear to be easier in their minds than previously. For example, announcement of impending routine replacement of Japanese troops has

893.00/14022

0 1 4 6

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

U -2- #70, Feb. 26, 2 p.m. from Peiping

no
has aroused/uneasiness, unlike previous replacements.

Three. The transfer of Itagaki, Chief of Staff of the Kwantung army, to command a division in Japan, to be effective March 1, may be an effort of the military authorities at Tokyo to gain a more effective control over the Kwantung army. Itagaki's successor is to be Lieutenant General Toja, at present commander of the Japanese gendarmerie in Manchuria.

By mail to Tokyo.

LOCKHART

KLP:CSB

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

DOCUMENT FILE

NOTE

793.94/3525

SEE 693,94244/203 FOR Tel. # 72, 11am
FROM China (Lookhart) DATED February 27, 1937
TO _____ NAME _____ 1-1127 GPO

REGARDING: Raid by Japanese and Korean rowdies of Customs House
in order to get smuggled goods that had been seized by
the Customs at Tientsin. Reports with regard to -
The smuggled goods was retaken by police later and some
of the raiders arrested. No

8525

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

TELEGRAM RECEIVED

U
This telegram must be ¹⁻¹³³⁸ FROM Peiping
closely paraphrased
before being communicated Dated March 2, 1937
to anyone. (B)

Secretary of State

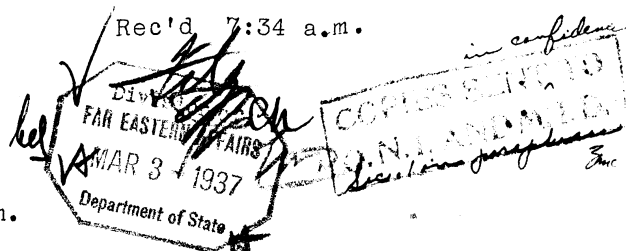
Washington

73, March 2, 3 p.m.

One. The informant mentioned in the Embassy's
despatch No. 812, October 28, 1936, has expressed in
confidence to the Embassy certain views, as set forth
below, on the political situation. In view of his
sources of information, his estimate of the situation
may be of interest to the Department. (End of section one.)

LOCKHART

McL:RR



793.94/8526

FILED
MAR 6 - 1937

E/FG

0145
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

TELEGRAM RECEIVED

RB

SPECIAL GRAY

1-1336

FROM Peiping via N. R.

Dated March 2, 1937

Rec'd 3:55 p. m.

Secretary of State

Washington.

73, March 2, 3 p. m. SECTION TWO.

Two. The third plenary session seriously considered the advisability of attempting to strengthen the National Government's influence in North China but decided to take no (repeat no) action.

Three. Sino-Japanese relations now depend primarily on Japan's formulation and unification of its China policy. Japan's policy, to succeed, must include abandonment of aggression south of the Great Wall.

Four. The Shensi Kansu situation is being liquidated by the transfer of Chang Hsueh Liang's troops to some such province as Anhwei. They will be under the command of Yu Hsueh Chung or Ho Chukuo, probably the former. Chang will be given a position at Hanking of nominal importance. National Government troops will take over Shensi and Kansu, with the exception

0150
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Department of State letter, August 10, 1972
By Milton O. Gustafson NARS, Date 12-18-75

RB

-2-773, March 2, 3 p. m. from
Peiping

the exception of those areas occupied by Communist
forces.

Five. It is barely possible that the Communists
will give up Communism. If they do, they will be dis-
appointed at the ultimate outcome, as they are distrusted
by the National Government which would not (repeat not)
willingly give them any substantial benefit.

Repeated to Nanking, by mail to Tokyo.

LOCKHART

CSB

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

CONFIDENTIAL

Section one of a telegram (No. 73) of March 2, 1937,
 from the American Embassy at Peiping reads substantially
 as follows;

Certain views, as set forth in the following sections
 of this telegram, in regard to the political situation have
 been given confidentially to the Embassy by the informant
 (Dr. Chiang Monlin) referred to in despatch No. 812 of
 October 28, 1936, from the Embassy. It is felt that the
 Department may be interested in Dr. Chiang's estimate of
 the situation in view of his sources of information.

793.94/8526

egc.
 FE:ECC

FE

M.W.

III-3-37

0152

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

DOCUMENT FILE

NOTE

SEE 893.00/14024 FOR Tel.#74-4pm.

FROM China (Lockhart) DATED Mar. 2, 1937.
7/6/11 NAME 1-1127 o.p.o.

REGARDING: Annual routine replacement of troops of Japanese
North China garrison: Reports that -, has been
completed, and that it caused no uneasiness on
part of Chinese or foreigners.

fpg

793.94/ 8527

8527

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

FE

729
793.94

U

GRAY

Peiping via H.R.

Dated March 2, 1937

Rec'd 8 a.m.

Secretary of State

Washington

74, March 2, 4 p.m.

114022

Reference last two sentences of paragraph two of
Embassy's telegram No. 70, February 26, 2 p.m.

Annual routine replacement of troops of the Japanese
North China garrison has apparently now been completed.
Unlike previous such movements, it has caused no commo-
tion nor uneasiness on the part of Chinese or foreigners.
By mail to Tokyo.

72071/CAF
3

LOCKHART

DDH:KLP

0154

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

DOCUMENT FILE

NOTE

SEE 894.00 P.R./109 FOR #2221

FROM Japan (Grew) DATED Jan 21, 1937
TO NAME 1-1127 ***

REGARDING: Sino-Japanese relations: Summary of developments of month of Dec., 1936.

FRG.

792.94/ 8528

8528

-5-

II. RELATIONS WITH OTHER COUNTRIES.

(a) China.

793.94
Negotiations between the Japanese Ambassador to China and the Chinese Minister for Foreign Affairs for a settlement of differences between the two countries based on Japanese desiderata were abandoned during the early part of the month.*

Despite official Japanese denials, it appeared that the Kwantung Army had given moral if not material support to the East Suiyuan Mongols in their hostilities against the Chinese Suiyuan provincial forces.**

The landing of the Japanese naval forces at Tsingtao on December 3, an action ostensibly taken as a local measure for the protection of Japanese business interests, was in fact a demonstration of Japanese force with respect to China in general.*** The occasion for the landing of the Japanese naval contingent was allegedly the unrest among the Chinese employees in the Japanese-owned cotton mills of Tsingtao. A protest against the Japanese action was issued by the Chinese Government, and the Japanese Government made certain demands on the Mayor of Tsingtao. The incident was closed on December 11 with the acceptance by the Mayor of Tsingtao of the Japanese demands for a settlement of the dispute. The following statement was made in a press interview by the Japanese War Minister on December 8, i.e., before the settlement of

894.0078/109

* Embassy's despatch No. 2190, December 17, 1936.

** Embassy's Monthly Report, November, 1936, Section II(a).

*** Embassy's despatch No. 2190, December 17, 1936.

115
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

-6-

of the Tsingtao incident: ".....the sword of Japan, which is drawn only to fight the powerful and rescue the weak, may have to be unsheathed, much as we dislike doing it."

The situation caused by the detention at Sian of General Chiang Kai-shek by Chang Hsueh-liang on December 12 was to all outward appearances viewed by the Japanese in a spirit of laissez-faire, although apprehension was expressed by the newspapers over the Young Marshal's reported demand for the admission of Chinese communists into the ranks of the Nanking Government. While Japanese official statements expressed sympathy for Chiang Kai-shek, especially in view of the Japanese Government's alleged desire for a united and peaceful China, it was obvious that Japan rejoiced over the incident as an added argument in favor of the Japanese-German pact against communism.*

894.00 PR/109

0157

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

March 11, 1937.

~~WTT:~~
~~ERS:~~
~~MMH:~~
~~SKH:~~

Despatch No. 2266 from the Embassy at Tokyo, entitled "Sino-Japanese Relations", dwells upon the trend in the direction of a more friendly policy towards China and of emphasizing economic cooperation rather than the political aspects of Sino-Japanese relations.

COMMENT:

Last autumn the Embassy at Tokyo reported the factors underlying a change in the attitude of the Japanese people towards Chinese questions. These factors were the following: (1) a lack of information on the part of the public in regard to Japanese objectives in China; (2) lack of approval of the manner in which the negotiations with China were being conducted by Japan; (3) declining interest in Chinese questions, and (4) increased interest in domestic affairs due to mounting naval and military estimates. The present despatch would indicate that public sentiment is progressively becoming more moderate.

7-20-17 93.94/8529

793.94/8529
FE:JWB:EH:SS

0158

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



THE FOREIGN SERVICE
 OF THE
 UNITED STATES OF AMERICA

AMERICAN EMBASSY

Tokyo, February 16, 1937.

No. 2266.

SUBJECT: SINO-JAPANESE RELATIONS.

793.94

RECEIVED
 DEPARTMENT OF STATE

1937 MAR 4 AM 11 24

COMMUNICATIONS
 AND RECORDS

For 1

601 - MID

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 O.N.I. AND M.I.D.

Copy in FE(38) file
 FAR EASTERN AFFAIRS
 FEB 1 - 1937
 Department of State
 H T

793.94/8529

The Honorable
 The Secretary of State,
 Washington.

Sir:

Since the writing of the Embassy's despatch No. 2208 dated December 31, 1936, on the subject of Sino-Japanese relations, interest in the Sino-Japanese situation has been partially obscured by the internal political situation which culminated in the cabinet crisis, the resignation of the Hirota Government on January 23, and the formation of the Hayashi Cabinet on February 2. However, there has been discussion

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F/FG

0159

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

-2-

discussion in the Japanese press concerning a possible "re-orientation" of Japan's policy toward China and it would appear that both the present Cabinet and the Army have in mind a definite alteration of the aggressive policy hitherto pursued.

It will be recalled that the negotiations for a settlement of pending issues proved futile and were broken off during the early part of December. In the opinion of most political observers, Japan now realizes the failure of the old policy of bluff and sabre-rattling, which miscarried largely on account of the stiffened attitude of the Chinese.

Evidence that the military have relented in their attitude toward China is found in an ASAHI report of February 6, which states that the Army hopes that Japan's diplomacy toward China will tend toward a strengthening of economic cooperation based on racial harmony. If such are in fact the Army's hopes, they represent a distinctly new departure, particularly when one considers the Army's former pressure for political control in China through the establishment of so-called autonomous régimes, the appointment of Japanese advisers, active Sino-Japanese cooperation in China against communism, etc.

The view that the present Cabinet, as well as the Army, is considering a change to a more friendly policy toward China is supported by certain statements made by Premier Hayashi yesterday in his speech before the Diet.

General

-3-

General Hayashi spoke of the urgent necessity of cultivating "cordial feelings" between the two countries, of fostering "mutual appreciation", of bringing about closer contact not only between the two Governments but also between the two peoples, and of achieving in more concrete form "cooperation and mutual assistance" between Japan and China.* These statements stand in sharp contrast to the Premier's reference in the same speech to the Soviet Union, which was firm in tone. He urged the USSR to take a broad view and to cooperate with Japan in the settlement of pending questions and immediately went on to affirm the timeliness and necessity of the German-Japanese anti-Comintern agreement.

Furthermore, on January 17 Mr. Toyotaro Yuki, then newly appointed President of the Tokyo Chamber of Commerce and Industry, stated that a readjustment of Sino-Japanese relations must be made from the economic angle. Mr. Yuki is now Finance Minister and his opinions are reputed to carry considerable weight with the other members of the Cabinet. In this connection, it has been reported that plans have been made to despatch an economic mission to China to return the visit to Japan of the Chinese Economic Mission in the autumn of 1935. Mr. Kenji Kodama, former President of the Yokohama Specie Bank, has been mentioned as the probable head of this Mission and also as Japan's "special economic ambassador" to China.

According

* Embassy's telegram No. 57 dated February 15, 1937.

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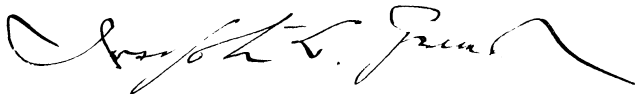
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

-4-

According to press reports, the Japanese Government has decided to resume negotiations with the Chinese Government. Although nothing is definitely known concerning the basis on which the negotiations will be resumed, it is not unlikely that the economic rather than the political aspects of Sino-Japanese relations will be emphasized.

Thus, it would seem that Japan at the present moment sees the need of dealing with China on a more equitable basis. Japan wants certain economic advantages in China and apparently realizes that for the attainment of these ends a policy of cooperation will be more efficacious than one of coercion.

Respectfully yours,



Joseph C. Grew.

710
GDA:C

Copy to Embassy, Peiping;
" " " Moscow.

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

TELEGRAM RECEIVED

U

GRAY and SPECIAL GRAY

1-1236

FROM

Peiping via N.R.

Dated March 9, 1937

Rec'd 8:50 a.m.

Secretary of State
Washington

86, March 9, noon.

Embassy's 31, January 16, noon, and paragraph 5
of Embassy's 54, February 8, 8 p.m.

One. The Consulate General at Tientsin has informed the Embassy that reports persist that conversations between Chinese and Japanese authorities at Tientsin include the question of a possible change in the status of the demilitarized area under Yin Ju Keng. The current report is that eleven of the twenty two districts in the area may be turned over to the Hopei-Chahar Political Council, that in return for these districts (the western half of the area) a money payment is to be made, or that perhaps a republican state is to be effected. My informants of the Consulate General doubt that anything will come of these conversations.

Two. The Embassy has been unable to confirm this, local officials expressing scepticism.

By mail to Tokyo.

RR:CSB

LOCKHART

793.94/8530

F/FG

016

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

CONFIDENTIAL

March 8, 1937

Stamp: DIVISION OF FAR EASTERN AFFAIRS MAR 8 1937
Stamp: SECRETARY OF STATE MAR 8 - 1937
NOTED
793.94/8531
F/FG

The Situation in the Far East.

Mr. Secretary:

In Japan, the recently appointed Japanese Foreign Minister, Mr. Sato, orally informed our Ambassador that (1) he planned to take steps to improve Japan's relations with China and (2) he felt that an improvement in Sino-Japanese relations would result in bettering Japan's relations with Europe and America. Our Ambassador states that the Foreign Minister may be prevented from achieving his aim with regard to future Sino-Japanese relations by opposition from the Japanese military. However, the Ambassador comments that the Foreign Minister's remarks seem to substantiate our Embassy's opinion that the new Japanese Cabinet realizes there is a need for a more moderate policy vis-à-vis China.

In China, Dr. Wang Chung-hui, an experienced Chinese official and jurist, has been appointed Minister for Foreign Affairs. Our Embassy at Peiping reports remarks of a well-informed Chinese educator to the effect that the future course of Sino-Japanese relations now depends upon formulation by the new Japanese Cabinet of its China policy, and that this policy, to succeed, must include abandonment by Japan of an aggressive program south of the Great Wall.

FE:JCV/DLY:VCI

0164

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

1-1

TELEGRAM RECEIVED



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1-1336

FROM GRAY

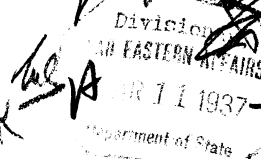
Peiping via H.R.

Dated March 11, 1937

Rec'd 6:55 a.m.

Secretary of State
Washington

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O.N.I. AND M.I.D.



793.94/8532

89, March 11, 5 p.m. 793.94/8509

Reference paragraph one Embassy's 54, February 8,
5 p.m. and subsequent telegrams.

One. Sung Che Yuan returned March 9 to Peiping from
Tientsin. The subject of his conversations with Japanese
while there is still a matter of speculation.

Two. Sung is reported to have said in an interview
granted March 10 to Chinese pressmen that he would continue
to follow his policy of supporting the National Government,
that the development of economic resources would be guided
by the principles of environments, reciprocity, and mutual
prosperity, that mines would be developed first and then
railways, and that he would continue to oppose Communism.

By mail to Tokyo.

LOCKHART

KLP

FILED
MAR 17 1937

F/G

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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7E

TELEGRAM RECEIVED

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1-1336

GRAY AND SPECIAL GRAY

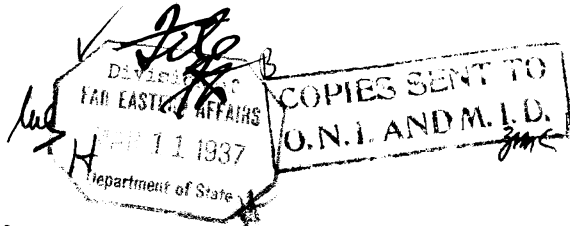
FROM Peiping via N.R.

Dated March 11, 1937

Rec'd 9:50 a.m.

Secretary of State

Washington



88, March 11, 4 p.m.

Reference Embassy's despatch ¹⁰⁶⁷~~167~~, February 19.

One. Several reports have reached Peiping during the past few days that the Japanese are withdrawing their military supplies in Chahar to Dolonar in extreme eastern Chahar, indicating that no (repeat no) attack on Suiyuan is intended in the near future. The local correspondent of the Associated Press has just returned from Kalgan and Kueihwa and states that these reports seem to be correct.

Two. The alleged withdrawal may be due to (1) orders received by the Japanese military responsible for the unsuccessful attack on Suiyuan of last November for which they were severely criticized, (2) the desertion of all or almost all of the Chinese "irregular" to the Suiyuan side since the November defeat, leaving only Prince Teh's troops, numbering not more than 3,000, under Japanese direction, to ^{evacuate}~~evince~~ (3) effective military preparations in Suiyuan by the Chinese.

Three

793.94/8533

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2-2

Page 2 No 88 March 11, 4 pm from Peiping.

Three. According to the correspondent, Fu ^{Tao Yü} ~~Tao~~ now controls Suiyuan practically to the Chahar border, and there are in Suiyuan 20,000 of his troops, 20,000 Shansi troops, 20,000 troops of Wang Ching Kuo, Yen Hsi Shan's subordinate in west Suiyuan, and 40,000 National Government troops. According to this informant, extensive strong defense preparations have been made in Suiyuan during the past few months.

Four. There is a possibility, perhaps somewhat remote at present, that the Chinese will assume an aggressive attitude as a result of Japanese reduction of strength in Chahar and may attempt to recover Chahar territory from Japanese control.

Five. Chinese in Kalgan are reported as saying that the Japanese may voluntarily give back the four western districts of the six which they control in Chahar north of the Great Wall, retaining the eastern two districts which give them control of the Kalgan-Dolonor Road but not of the Kalgan-Urga Road. It seems to the Embassy an improbable development under existing conditions.

Six. The Embassy's informant states that some missionaries have already returned to their stations in that part of Chahar under Japanese control without interference from the Japanese and that others intend to return shortly.

By mail to Tokyo.

LOCKHART

RR WWC

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

773.94

DOCUMENT FILE

NOTE

SEE 711.933/355 FOR Memorandum

State Department
FROM Far Eastern Division (Myers) DATED Mar. 4, 1937
TO NAME 1-1127

REGARDING:

Sino-Japanese relations: Tempo of Japan's aggression in China as compared with 1931-1933 period has slowed up, indicating a moderation of Japan's China policy.

aa

793.94 / 8533 1 2

8533 1/2

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

DOCUMENT FILE

NOTE

SEE 893.00 P.R.Canton/108 FOR Desp.#32 to Embassy

FROM Canton (Linnell) DATED Jan.7,1937
4611 NAME 1-1127 aro

REGARDING: Relations between China and Japan: Reports developments in -, during December, 1936, in Canton area.

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793.94/ 8534

8534

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

-4-

a system of highway communications and fortifications in the coastal strip south of that route, and steps to develop Hainan Island.

2. Relations with Japan:

(a) Divergent Kwangtung and Kwangsi Reactions to International Aspects of Sian Affairs:

793.94
 148.6-8)

The national crisis precipitated by Marshal Chang's defection and detention at Sian of Chiang Kai-shek had the effect of making much more clearly manifested the basic divergence of the Kwangtung and Kwangsi attitudes toward the international aspects of the North China situation, which, as a result of Nanking's unquestionably dominant position and wave of common enthusiasm over the defence of Suiyuan, had before then apparently assumed a superficial appearance of similarity. In Kwangtung the Sian developments brought forth an immediate and generally sincere outburst of loyalty to Nanking and Chiang personally in the excitement of which the invasion of Suiyuan was largely forgotten, together with a violent denunciation of Chang and the Reds as presumable allies in crime, and declarations to the effect that Soviet Russia was almost as much of a menace as Japan and that China should determinedly avoid any connection with either in order to escape having her territory become an international battleground like that of Spain. In Kwangsi, on the other hand, while a few official crocodile tears were shed for Chiang's misfortune, the principal reactions to be observed were a marked increase of anti-Japanese manifestations, an absence of criticism of Soviet Russia, and an opinion - intimated by officialdom and press and freely broadcast by student propagandists - that Chiang well deserved capture and that the Central Government should not only pardon Chang but also join with him and the communists in an immediate "Popular Front" war against Japan.

(b) Takhoi

See confidential despatch No. 31 of December 17, 1936.

-7-

(b) Pakhoi Incident Settled:

It was reported by the press and confirmed by local Chinese and Japanese official sources that the Pakhoi Incident of September 3rd had been settled through diplomatic channels on December 27th on the basis of payment of Yuan 30,000 by the Kuangtung Government to the family of the murdered Japanese, Junzo Nakano. It is understood that the Japanese demand for an apology was waived in consideration of the difficulty of fixing responsibility for the affair.

(c) Alleged Japanese Demoralization of South China Fishing Industry:

There was a great deal of publicity regarding the urgent need of rescuing the South China native fishing industry from the disastrous consequences of Japanese encroachments. It is claimed that large subsidized Japanese fishing companies, equipped with the latest fishing equipment, not only encroach continually in Chinese territorial waters, to the detriment of the poorly equipped Chinese fishermen, but also take advantage of the latter's ignorance and poverty; that they often entice the Chinese to go to Formosa, whereupon Formosan Chinese who have long been Japanese subjects are substituted in their place and the Japanese then make use of the latter both to increase their fishing business and also in connection with strategic matters such as the making of naval surveys and the acquisition of coastal land sites. The local authorities are much concerned over the situation, and, according to a reliable authority, it was one of the chief reasons for Mr. T. Y. Soong's visit to Hainan Island. There is considerable evidence that the Chinese accusations are well founded and it may be noted that The Institute of Pacific Relations has recently published a report regarding Japan's "Southward Drive" which includes such charges in its comprehensive survey of the methods which it finds Japan is employing to effect penetration in South China. (As

reported

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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

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reported in the SOUTH CHINA MORNING POST of December 22, 1936.)

(a) Report of Institute of Pacific Relations Denied
by Japanese Consul General:

The local Japanese Consul General gave out a statement
to the press to the effect that the recently published Report
of the Institute of Pacific Relations regarding Japan's program
of penetration of South China was erroneous in every respect.

g. Relations of a General International Character:

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

DOCUMENT FILE

NOTE

SEE 893.00 P.R.Tsinan/105 FOR Desp.#9

FROM Tsinan (Allison) DATED Feb. 4, 1937
//P// NAME 1-1127 070

REGARDING: Relations between China and Japan: Alleged Japanese
Plane Drops Propaganda over Tsinan: Smuggling:
Visit of Rear-Admiral Maeda to Tsinan; Reports
regarding --.

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793.94/ 8535

8535

II. FOREIGN RELATIONS

A. Relations with the United States.

1. Editorial Comment on the Inauguration.

On January 31st, the local official newspaper published a long editorial on the inauguration of President Roosevelt in which the foreign policy of the United States was discussed at length. The general tenor of the editorial was that now that President Roosevelt had firmly established his position in America, he could turn to a more aggressive foreign policy; in short, he could take a more active interest in the Orient and perhaps take measures to halt the continued advance of Japan on the Asiatic continent. This is the second editorial within a month, the first appearing on December 30th, which has dealt with American policy in the Orient, and both of which have expressed or implied the hope that the United States would now be able to come to the assistance of China in her efforts to resist Japan.

B. Relations with other Countries.

1. Japan.

a. Alleged Japanese Plans Drop Propaganda over Taiwan.

On the morning and afternoon of January 2nd, an airplane, believed locally to be of Japanese nationality, flew over Taiwan and dropped small pamphlets and paper five-barred flags. The paper flags bore the inscription, "East Hapei Autonomous Anti-Communist Government, Propaganda Department.", while the pamphlet was entitled, "The Manifesto of the East Hapei Autonomous Anti-Communist

Government

793.94

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Government advocating the use of the five-barred flag. The Tainan Municipal Government disregarded the incident but submitted a report to General Han for his consideration. It is not known whether or not a protest was lodged with the Japanese Consul General by the provincial authorities. There was no excitement manifested by the general public whose attitude was one of indifference. (See Consulate's despatch No. 22, of January 7, 1937.)

b. Smuggling.

Three truckloads of smuggled goods were detained by the Provincial Authorities at Tutingfu, in Northern Shantung, on January 13th, and brought to Tainan where they were kept at the Provincial Government Headquarters. Four Japanese subjects who were with the trucks were arrested and turned over to the Japanese Consulate General. (See Consulate's despatch No. 24, of January 15, 1937.) As far as the Consulate has been able to ascertain the three confiscated trucks were still being held at the end of the month and there had been no further influx of smuggled goods into Shantung. As was reported in this Consulate's despatch mentioned above, the local Japanese Consul General is said to have promised General Han that he will do all in his power to stop future smuggling in Shantung. What success he will have remains to be seen.

c. Visit of Rear-Admiral Maeda to Tainan.

Rear-Admiral Maeda, Commander of the Secondary Naval Station at Port Arthur, arrived in Tainan on the morning of January 30th, from Tsingtao and left for Tientsin the same evening. While in the city he called upon General

Han

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Ren Fu-chu and visit places of general interest.

III. INTERNAL POLITICAL AFFAIRS

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

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Tsingtao/107 FOR #178

FROM Tsingtao (Sokobin) DATED Feb 5, 1937
TO _____ NAME _____ 1-1127 ***

REGARDING: Sino-Japanese relations: Protest against illegal flights by
Japanese planes over Tsingtao, scattering propaganda pamphlets
and folders; Japanese smugglers continued activities during
the month of January, 1937.

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8536

II. FOREIGN RELATIONS

A. Relations with the United States

Nothing to report.

B. Relations with Japan

793.94
Sino-Japanese relations in Tsingtao appeared quite normal following the withdrawal in the latter part of December of the Japanese landing party. However, one incident occurred which did give rise to a Chinese protest. On January 2, a Japanese military airplane scattered over Tsingtao pamphlets and circulars containing an appeal by Yin Ju-keng to ignore the Kuomintang, to restore a genuine republican form of government, and to observe the Draft Provisional Constitution of Peiping.* A protest is understood to have been made immediately to the Japanese Consulate General by the Tsingtao Municipal Administration but no reply was elicited. Subsequently it was reported in the press that the flight had been brought to the attention of the Japanese ambassador by the Ministry of Foreign Affairs, also without satisfaction. A recent news item as follows appeared in the NORTH CHINA DAILY NEWS of January 27, 1937:

"THIRD PROTEST AGAINST
ILLEGAL FLIGHTS

Nanking, Jan. 26

In view of the fact that two protests remain unanswered, the Ministry of Foreign Affairs will shortly file a third protest with the Japanese authorities over the il-

legal

* See Tsingtao despatch no. 175 of January 5, 1937, file no. 800, Subject: Distribution of Pamphlets and Circulars of Political Significance by Japanese Airplane.

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

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legal flights of Japanese planes over Chinese territory, it is learned here today. Despite the protests by the Chinese authorities, it is stated, Japanese army planes continued to fly over and land in Tainan and Tainan last week.

CENTRAL NEWS

Japanese Smugglers Continue Activities

During the month there appeared to have been a marked recrudescence of smuggling by Japanese; the chief offenders are understood to be Koreans and Japanese who might be compared to the bootlegger and "strong arm" men of our own country. The chief articles which these smugglers bring in are sugar and rayon.

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

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Canton/109 FOR Desp. #37 to Embassy

FROM Canton (Linnell) DATED Feb. 6, 1937
H6111 NAME

REGARDING: Relations between China and Japan: Reports interesting developments in -, during January, 1937.

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793.94/ 8537

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

4. Japan:

(a) Visits of High Japanese Naval Officials:

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 (18 5-8)
 Rear Admiral S. Okura, commanding the Japanese Fifth Torpedo Boat Squadron, visited Canton "unofficially" from January 14th to 18th. The Chinese authorities were very suspicious of his visit and there was much bickering over the courtesies to be accorded him and the places which he should be allowed to see.

On January 25th a higher Japanese naval officer, Vice Admiral Kiyoshi Hasegawa, the recently appointed Commander-in-Chief of the Japanese Third Fleet, paid his official visit to the port. From the point of international goodwill, his call

was

Despatch No. 157 of 11/14/32, and political review for 3/1936.

-6-

was even less of a success than that of Admiral Okura and confirmed that the new regime at Canton is more than upholding the tradition of its predecessors to repel Japanese attempts to establish friendly personal contacts. An amusing picture of the affair was provided in confidential revelations made by both Chinese and Japanese consular officials. The Provincial Chairman was too "sick" to see the distinguished visitor; the Mayor carefully timed his departure from Shanghai so as to avoid any possibility of meeting him; and Marshal Yu Han-mou, after agreeing with bad grace to receive the Admiral, obstinately refused to consider returning his call in person. After some two weeks of exasperating negotiations and arguments, the Japanese Consul General, by dint of a final plea concerning the unfortunate effect in Japan which a non-exchange of calls with the "Emperor's personal representative" would have, at last succeeded in eliciting from the Marshal an expression of honest "intention" to return the call. The Admiral then ventured to make his call - only to be afterwards notified that a conference prevented the Marshal from returning it and that the Chief of Staff would be sent in his place. By way of further insult, even the Chinese officials of medium rank boycotted the reception given the Admiral by the Japanese Consul General and delegated a very minor official to make their excuses. The latter was overheard to inform the Japanese Consul General flippantly that the Provincial Chairman's aide-de-camp regretted that he was too drunk to attend the function. The Admiral left Canton for Hong Kong on the 18th. Meanwhile the unpopularity of his visit was further aggravated by intimations in the local press that sailors from the warships which he had brought to Hong Kong had landed and carried on suspicious activities on the coast between Hong Kong and Bocca Tigris.

(b) Visit

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(b) Visit of Formosan Journalists:

Another Japanese "goodwill" delegation, consisting of Formosan journalists, visited Canton. The goodwill created would seem somewhat dubious, particularly since, during the week following their departure, the local vernacular press featured reports that members of the party had been caught in espionage activities at Swatow.

(c) Japanese Interest in American Activities:

The local Japanese consular authorities endeavored, unsuccessfully, to have this Consulate General fill out for them a very detailed form of questionnaire regarding the number, occupation, et cetera, of Americans residing in the various cities and subdivisions of this consular district. Similar requests were sent to all the other consular representatives. This is but one of numerous recent demonstrations that the inquisitive zeal of Japanese consular officers regarding activities of other foreigners in this area has reached a point where they feel themselves entitled to apply for information without any regard for ordinary conceptions of propriety. To cite but two other examples, reference may also be made to the recent investigation of an American mission at Hoikow by a Japanese consular representative* and persistent efforts which have been made by another Japanese consular officer to obtain this office's assistance in securing him a publication providing detailed data regarding American missions in South China.

(d) Increasing Anti-Japanese Sentiment:

Complaints by the SHANGHAI MAINICHI that the anti-Japanese movement in Kwangtung and Kwangsi has increased following the Suiyuan and Sian developments and that Japanese

are

* Confidential despatch No. 23 of November 11, 1936.

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

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are not allowed to tour in Kwangsi are believed well founded. The Kwangsi papers have been full of the expansion of anti-Japanese - including boycott - organizations and activities; and a well known press correspondent who recently interviewed Marshals Li Taung-jen and Pai Chung-hsi reported that they claim to have warned the Japanese authorities that Japanese entering Kwangsi do so at their own risk. Private admissions by Japanese consular officers regarding their difficult relations with Canton have become more frequent and feeling; and one officer stated that there is such a wall of animosity between his office and the Chinese authorities that Japanese consular officials are most loath to accept assignment here.

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

DOCUMENT FILE

NOTE

SEE 894.00/706 FOR Tel.#77-6pm.

FROM Japan (Grew) DATED Mar.5,1937.
*b11 NAME 1-1127 o p o

REGARDING: Sino-Japanese situation: The new Minister for Foreign Affairs, Mr. Sato, stated to Mr. Grew that he will study the Sino-Japanese situation, as he thinks relations with other countries are influenced by Japan's relations with China,

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

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note

ORF
Encl.

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U
This telegram must be
closely paraphrased
before being communicated
to anyone. (A)

Tokyo

Dated March 5, 1937

Rec'd 9:48 a.m.

Secretary of State

Washington

77, March 5, 6 p.m.

One. In my initial talk with the new Foreign
Minister today Mr. *Nootake* Sato expressed regret that he had
had no direct experience in Japanese-American affairs
but he feels that our mutual relations must be largely
influenced as in the case of other countries by Japan's
relations with China. The Minister therefore proposes
first of all to study the Sino-Japanese situation with a
view to bringing about a marked improvement in those
relations and having especially in mind the effect
of such an improvement on Japan's relations with the
rest of the world.

Two. The Minister is perhaps unduly optimistic
with regard to the possibility of achieving so desirable
a purpose without eventually embroiling himself with cer-
tain elements of the military, yet on the other hand the
policy which he envisages would appear to coincide with
the general aim of the Hayashi Government already
enunciated and almost certainly must reflect the talks
which he has already had with his colleagues in the Cabinet.

Three.

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

U -2- #77, Mar. 5, 6 p.m. from Tokyo

Three. Judging by articles in the Japanese press analyzing the Sian incident thoughtful Japanese recognize that any realignment in China which might now succeed the present Nanking Government must be more hostile to Japan and an unprovocative attitude toward Nanking is therefore wise. Furthermore, the aggressive policy and tactics recently pursued by Japan in China have signally and ignominiously failed to produce desired results. Sato's remarks to me would appear to substantiate our belief that the Cabinet recognizes the present need for a more moderate course of procedure.

Four. I know Sato fairly well personally and believe that our relations will be of the best.

Repeated to Peiping.

GRTW

CSB

904.00/706

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

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DOCUMENT FILE

NOTE

SEE 893.00 P.R. Chefoo/118 FOR #15 to Embassy

FROM Chefoo (Allen) DATED Feb 2, 1937
TO NAME 1-1127 000

REGARDING: Sino-Japanese relations: local developments of the month of
January, 1937.

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

B. Relations with Other Countries.

1. Japan:

793.94
 The Japanese Consul has recently reopened a case which he had been disputing with the Chefoo Commissioner of Customs. The case itself is unimportant, involving possession of, and payment of duty on, a few gold ornaments imported by a passenger arriving from Dairen. The Customs examining officer took the gold to the Custom House for appraisal, and instructed the passenger, a Chinese woman, to call later. Prior to the woman's call, the Japanese Consulate informed the Commissioner that the gold was reported to have been stolen and requested that it be surrendered to the Consulate. The Commissioner replied that the Customs would make independent investigations before surrendering the gold.

After a lapse of several weeks, during which time the Customs delivered the gold to the owner, the Japanese Consul has now addressed a letter to the Commissioner, stating that he views the refusal of the Customs to surrender the gold as an unfriendly act, and asking for a full explanation. The Commissioner is of the opinion that the attitude of the Consul indicates either that some one in the Consulate hoped to profit financially by obtaining the surrender of the gold,

or

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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

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or that the Consul has been ordered by his superiors
to take a strong position in the dispute.

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

DOCUMENT FILE

NOTE

SEE 794.00/109 FOR Tel #85, 6pm

FROM Japan (Crew) DATED March 11, 1937
TO NAME 1-1127 ***

REGARDING: Reference to Sino-Japanese relations made in statement on Japan's
foreign relations on March 8, 1937, by Minister for Foreign Af-
fairs, in House of Peers.

FRG.

793.94/8540

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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

3-1

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

March 17, 1937.

Reference Peiping's telegram No. 92,
March 16, 5 p.m. (~~copy~~ attached).

The informants mentioned in paragraphs one and two of the telegram are the Peiping correspondent of the Associated Press and a Swedish resident (Larsen) of Chahar Province, respectively.

Since January, 1936, irregular Mongolian and Chinese-"Manchukuoan" forces, under Japanese direction, have exercised control over Chahar Province north of the Great Wall, i.e., about nine-tenths of the Province. It is these forces that attacked Suiyuan Province in November last and were repulsed by Chinese troops. During 1936 there were persistent rumors that the most prominent Mongolian Prince in Chahar, the Teh Wang, who had come under Japanese influence and was in nominal command of the irregular forces mentioned above, had declared his independence of the Chinese Government.

Although the report of the establishment of "Monkokyo" (Mongolian State) in Chahar under Japanese military sponsorship, if true, comes as somewhat of a surprise at this time, the development would seem to be in line with the objectives of the Japanese military. It is possible that the Japanese military have in mind consolidating and

giving

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

3-2

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

- 2 -

giving definite form to their "gains" in Chahar with a view to the eventual incorporation of the area into "Manchukuo" and/or to the more effective use of the "independent" area as a base for future operations against Suiyuan Province in Inner Mongolia. The attitude of the Chinese Government to such a development is problematical. The meager reports so far received are inconclusive and do not warrant a prediction with regard to the possible effect of the rumored development upon Sino-Japanese relations.

(NOTE: Chahar Province joins Jehol Province in "Manchukuo" on the east; Hopei Province, in which Peiping and Tientsin are located, on the south; Suiyuan Province in Inner Mongolia on the west; and Outer Mongolia on the north. Chahar is strategically located but is of little importance otherwise, either economically or politically. It is inhabited in the south by Chinese and in the north by scattered bands of Mongolians.)

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

3-3

TELEGRAM RECEIVED

RB

1-1336

FROM

GRAY AND SPECIAL GRAY

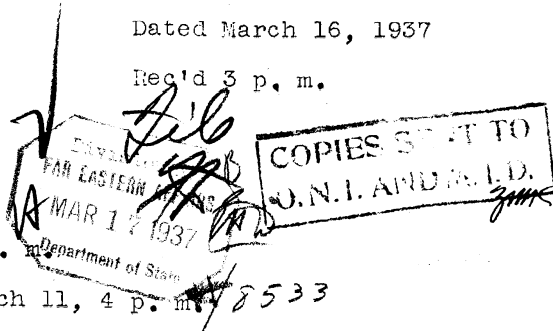
Peiping via N. R.

Dated March 16, 1937

Rec'd 3 p. m.

Secretary of State
Washington.

92, March 16, 5 p. m.
Embassy's 88, March 11, 4 p. m.



One. The informant mentioned in paragraph one of that telegram states that he has just been reliably informed that a Monkokyo (Mongolian state) has been definitely established, that it includes all of Chahar Province north of the Great Wall, that Chapsur is its capital, that the "Government" has a president (presumably Prince Teh), a vice president, a prime minister and 100 other Mongols, participating in that capacity, together with Japanese advisers, and that a tariff schedule has been published.

Two. This information, which has not (repeat not) been confirmed is believed to have come originally from the foreigner mentioned on page 3 of the Embassy's despatch 618 July 31, 1936, who has recently been at his residence mentioned on that page.

Three. Reports of such a regime has been rumored from time to time. If it proves to be true it would seem to render less

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MAR 23 1937

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

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RB

-2-#92, March 16, 5 p. m. from
Peiping

less likely the return of this area to Chinese control through negotiations at some future time.

Four. Similarly the reputed circulation in Yin Ju Keng's area in east Hopei during this month of money issued by that regime's bank, for the purpose of replacing the Chinese money now circulating there, will apparently create still another barrier to a rendition through negotiation of this Japanese-controlled area to Chinese control.

Five. There is at present a three day celebration in progress at Kueihwa, consisting of a memorial service March 15 for those Chinese who fell in the fighting of last November and December with Japanese-- directed forces, a review March 16 and the opening March 17 of the 1937 session of the Suiyuan Mongol Council. These ceremonies are attended by Wang Ching Wei, Yen Hsi Shan, and other officials from outside Suiyuan and are evidence of Chinese intention to resist Japanese expansion westward from Chahar.

By mail to Tokyo.

LOCKHART

RR

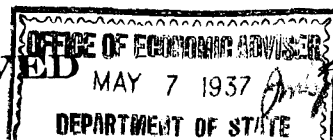
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

4-1

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TELEGRAM RECEIVED



COPIES SENT TO
O.N.I. AND M.I.D.

FROM PLAIN AND GRAY

Nanking via N. R.

Dated March 16, 1937

Rec'd 3:45 p. m.

A/C/C
RECORDING DESK
FILE - WHB

Secretary of State

Washington.

MAR 17 1937

NOT FOR PUBLICATION

119, March 16, 3 p. m.

One. A Japanese Economic Mission arrived in Shanghai from Japan March 14 and in Nanking March 15 its purpose as reportedly stated in January by Japanese Minister of Finance being to (one) return the call in October 1935 of a Chinese Economic Mission to Japan (two) "impress upon Chinese official and private circles Japanese side of the argument for joint development of China's economic sources". Kenji Kodama, head of the group, was recently reported as denying that the group was entrusted with any special mission but would "doubtless prepare the ground of economic cooperation between China and Japan". See 793.94/7302, 7329

Two. The group's personnel has caused press to attach considerable significance to the visit and includes the presidents or other high officials of such concerns as Mitsui, Mitsubishi, Nippon Yusen, Dai Nippon sugar, Toyo and Dai Nippon, cotton spinning; Chosen and Sumitomo Banks; Japanese cotton mill owners in China and Sino Japanese

Trade

DIVISION OF
TRADE AGREEMENTS

MAY 11 1937

MAR 17 1937

DEPT. OF STATE

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

4-2

RB

-2-#119, March 16, 3 p. m. from
Nanking

Trade Associations. The group was accompanied to Nanking by the Chinese Ambassador to Japan, several Shanghai Chinese businessmen and the Japanese Military Attache and was greeted by a delegation headed by the Chinese Minister of Industries. The day was spent in calls and entertainments at which Ministers of Communications, Railways and Industries were hosts.

Three. Characteristic Chinese press comment: the Mission's intention of cooperation should not be lightly regarded since members represent the captains of Japanese industry and can exert great influence over whatever policy their Government may adopt vis a vis China; while the Chinese do not expect much, they hope the members will be observant and on returning to Japan will advise their fellow countrymen and Government whether or not certain Japanese actions and policies in China should not be rectified; ~~they~~ *they should* notice that "certain people" have been monopolizing the illicit *for* drug traffic not only for pecuniary purposes but to make their victims unfit for manly duties; they will observe the "special trade" in North and South China and discover that this is not only injuring ordinary trade conducted by Japanese and others but was disrupting Chinese public finance and revenue;

economic

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

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RB

-3-^u119, March 16, 3 p. m. from
Nanking

economic or other cooperation must be built on principles
of reciprocity and equality.

Four. Director of Department of Intelligence and
Publicity of Foreign Office has made the informal comment
to me that since mission has no official character whatever
and that it can accomplish little unless the Japanese
Minister for Foreign Affairs takes steps to abate the
smuggling in North China and to induce Japanese banks to
hand to the Chinese Government silver stocks of about
9,000,000 Chinese dollars in conformity with the currency
regulations following the example of all other foreign banks.

Five. Sent to the Department, by mail to Peiping,,
Shanghai, Tokyo.

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

JLS

OFFICE OF ECONOMIC ADVISERS
MAR 20 1937
DEPARTMENT OF STATE

TELEGRAM RECEIVED

COPIES SENT TO
O.N.I. 1-1336

Dated March 18, 1937

Rec'd. 18th., 9:20 am

RECORDING
FILE - WHB

Secretary of State,

Washington, D. C.

121. March 18, 9 a. m.

Cur 119, March 16, 1:00 p. m. (Section One)

One. Japanese Economic Commission yesterday morning

ended two day visit here and proceeded to Shan hai. How long it will remain there and whether it will visit North China and other places has not been announced although press reports quote Peiping Japanese Embassy as stating that one important member, president of bank of Chosen, Kato, will shortly visit Peiping.

Two. Additional entertainment in Nanking, included luncheon by Japanese Ambassador first day and second day luncheon by Minister for Foreign Affairs, reception by Chiang Kai Shek at the Office Moral Endeavor Association and dinner by Kung. At his reception Chiang likened the "gigantic reconstruction movement" which China is undertaking to the transformation of Japan during the Meiji era, asserted that China desires the friendly help and advice of Japan, expressed hope that the mission would unreservedly point out fault of Chinese economic and other reconstruction projects, and stated "Chinese industrial circles will unquestionably accept their advice and will follow their footsteps so that Chin's culture

and

FROM

Commerce -
Confidence

Division of
FAR EASTERN AFFAIRS
MAR 18 1937
Department of State

STRICTLY CONFIDENTIAL

DIVISION OF
TRADE AGREEMENTS
TA

MAR 18 1937

DEPARTMENT OF STATE

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FILED

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

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Nanking via N. R., March 18, 9 a. m.

and economy may rise on the same plane with Japan for the stability of oriental peace and welfare". He added that Oriental nations should have Oriental culture as basis for work in order to coexist with other nations and that characteristics of Oriental culture are magnanimity and morals. He asked the gathering to stand and observe a one minute silence in honor of the late Viscount Shibusawa, an industrial magnet who Chiang had met in Japan in 1928.

Three. Leading articles in this morning's CENTRAL DAILY NEWS states (one) economic cooperation must be carried out within framework of Chinese laws and administrative decisions (two) Japan can render only technical assistance in regard to railway and mining enterprises and in no (repeat no) way should such assistance entail infringement of China's sovereign rights (three) in connection with Japanese and in improving Chinese farm products such as cotton, attention should be paid to increasing output and under no circumstances should there be any conditions aiming at squeezing raw materials out of China (four) in regard to all question of Sino-Japanese trade in general, Japan must respect existing of Chinese national industries, and should not (repeat^{not}) demand as a return for its assistance the downward readjustment of Chinese tariff duties on Japanese imports. The JOURNAL adds that these conditions "represent the Chinese peoples unanimous conception of the matter of economic cooperation with Japan." Section two follows.

WVC

JOHNSON

1204

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

5-3

TELEGRAM RECEIVED

JLS

1-1320

FROM

GRAY AND SPECIAL GRAY

NANKING VIA N. R.

Dated March 18, 1937

Rec'd. 18th., 7 a. m.

Secretary of State,

Washington, D. C.

121, March 18, 9 a. m. (Section Two).

Four. CENTRAL DAILY NEWS is semi-official publication.

Five. We learn on good authority that the mission's activities in Nanking were purely social and no proposals were suggested by the mission to government officials or others. Comment in this respect by one prominent Chinese party official was that the mission "is still hiding its tricks in its sleeve".

Six. Sent to the Department, by mail to Peiping, Shanghai, Tokyo.

JOHNSON

JSE

STRICTLY CONFIDENTIAL

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

5-4

In reply refer to
FE 793.94/

March 22 1937

CONFIDENTIAL

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses for his information copies of telegrams under dates March 16 and March 18, 1937, received from the American Embassy at Nanking, in regard to the visit to China of a Japanese economic mission.

793.94/8543

Enclosures:

- From Embassy Nanking
No. 119, March 16, 3 p.m.; /8543
- From Embassy Nanking
No. 121, March 18, 9 a.m. /8543

FE:RCM:EJL

3/20/37

MAR 22 1937
CR/307

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0202

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

6-1

DDM

TELEGRAM RECEIVED

GRAY AND SPECIAL GRAY

PEIPING VIA N.R.

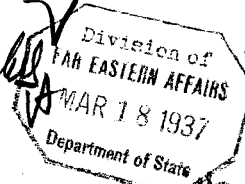
1-1236

FROM DATED MARCH 18, 1937

REC'D 7 A. M.

Secretary of State
Washington

U.N.I. AND M.I.D.



793.94/854A

93, March 18, 4 p.m.

Embassy's 92, March 16, 5 p.m.

One. The informant mentioned in paragraph one of these telegrams returned last night from Kalgan where he talked with several foreigners who have recently been in the vicinity of Chapsur and who confirm that the Mongol regime under Prince Teh has been established. They stated that it was established some time ago but that information with regard to it has been slow in getting out.

Two. The Embassy's informant learned that all or most of the Japanese officers who have been running the regime have recently left and have been replaced by other Japanese (presumably of the Japanese army) who are apparently under orders to accord better treatment than their predecessors to Mongols and other non-Japanese people.

Three. From the same source it is learned that Prince Teh has only three to four thousand troops. These are mostly Jehol Mongols under the leadership of the Manchukuo Jehol Mongolli Shouhsien. They are at present occupied in trying to

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

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-2- No. 93, March 18, 4 p.m. from Peiping

to clear up banditry in North Chahar, the bandits being some
of those irregulars who were under Japanese direction at the
time of their defeat of last November in Suiyuan.

By mail to Tokyo.

LOCKHART

CSB

1204

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

CONFIDENTIAL

March 13, 1937

The Situation in the Far East

S:
Mr. Secretary:

793.94/8545

During the week in review, the Foreign Ministers of Japan and China made significant statements which indicate the possible future course of Sino-Japanese relations. The new Japanese Foreign Minister stated in the Diet that he proposed to give consideration to China's interests and to negotiate with China on a basis of equality and in a conciliatory spirit while maintaining Japanese interests intact. The new Chinese Foreign Minister stated that China's fundamental principles are the maintenance of China's territory and sovereign rights and the conduct of international relations on the basis of equality and reciprocity.

Our Embassy at Tokyo reports that in Japan there is a belief, based upon the recent conciliatory remarks of the Foreign Minister in regard to Japanese relations with Europe as well as China, that the Japanese Government is abandoning the "diplomacy of desperation" for a more liberal and cooperative attitude, but that there exist certain elements in the Army which are opposed to such a change. The Embassy adds that it is as yet too early to attempt any prediction as to the outcome of this conflict of opinions.

JCV.
FE:JCV:EJL

793.94/8545

F/FG

0205

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

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DEPARTMENT OF STATE

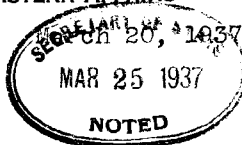
DIVISION OF FAR EASTERN AFFAIRS

~~WTT:~~

~~EHD:~~

~~MMH:~~

~~SKP:~~



In despatch No. 2281 of February 25, 1937, entitled "Sino-Japanese Relations", the Tokyo Embassy reports that a proposed alteration of the aggressive policy hitherto pursued by Japan toward China and a reorientation of diplomacy based on economic lines now seems to be taking concrete shape. It is stated that there are indications that Hayashi is considering a complete abandonment of the Hirota three-point policy. The press states that the only two matters in the former program to be retained are reduction in the Chinese tariff and the establishment of an air service between Japan and China. Lessening of tension in the internal political situation and the Premier's conciliatory statements in the Diet on China have revived public interest in Sino-Japanese affairs, and the press has been unanimous in approving the change of policy.

Note particularly the last paragraph of the despatch in which it is mentioned that the JAPAN TIMES compares Japan's reported decision to alter its China policy with President Roosevelt's alleged intention to abandon the "Stimson policy of sending nagging notes to Tokyo".

COMMENT:

The whole despatch is worth reading, and serves as a background for the liberal pronouncements

1203
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DEPARTMENT OF STATE
DIVISION OF FAR EASTERN AFFAIRS

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pronouncements subsequently made by Foreign
Minister Sato.

It remains to be seen,
however, how effectively the
new pronouncements and
current attitude will be
translated into action

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793.94/8546

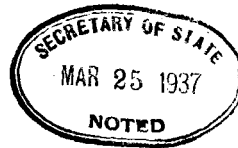

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Department of State letter, August 10, 1972
By Milton D. Quisenberry NARS, Date 12-18-75

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THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA
1937 MAR 13 AM 11 42



AMERICAN EMBASSY

DIVISION OF
COMMUNICATIONS
AND RECORDS
Tokyo, February 25, 1937.

No. 2281.

SUBJECT: SINO-JAPANESE RELATIONS.

COPIES SENT TO
O.N.I. AND M.I.D.



793.94/8546

The Honorable

The Secretary of State,
Washington.

Sir:

I have the honor to refer to the Embassy's despatch
No. 2266 of February 16, 1937, and to report that the
proposed alteration of the aggressive policy hitherto
pursued by Japan toward China and a reorientation of
diplomacy based on economic lines now seem to be taking
concrete shape.

The

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off

The conciliatory remarks regarding China in the speech delivered in the Diet by Premier Hayashi as Minister for Foreign Affairs on February 15* were given added significance by subsequent replies to interpellations in the Diet. Answering a rather chauvinistic interpellation in the House of Representatives on February 19 by Mr. Seigo Nakano, leader of the Tohokai (Eastern Association), regarding Japan's policy toward China, Great Britain, and the western Powers, Premier Hayashi stated: "I have no faith in a pugnacious foreign policy". In reply to an interpellation in the Lower House on February 20 by Mr. Hyogoro Sakurai, of the Minseito, as to the Government's attitude toward the Hirota Cabinet's three-point policy towards China, Premier Hayashi stated that the Government considered the three points proper but had different views from those held by the Hirota Government with regard to their application. He added significantly: "It is greatly to be regretted if China makes the mistake of thinking Japan is wedded to a policy of aggression. I quite agree with Mr. Sakurai on the question of promoting Sino-Japanese friendship".

There are indications that Premier Hayashi is considering a complete abandonment of the Hirota three-point policy, which aimed at the eradication of anti-Japanese agitation in China, factual cooperation between Japan, "Manchukuo" and China, and cooperation between Japan and China for the removal of the Communist menace in China.

894.00/695

It

* Embassy's telegram No. 57, dated February 15, 1937, and despatch No. 2266 of February 16, 1937.

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It will be recalled that a number of specific demands based on this policy were the subject of the Sino-Japanese negotiations that failed in December 1936. According to the Japanese press, all of the political demands will be relinquished and the only two points in the former program that will be retained by the present Government are economic in character: the reduction of the Chinese tariff and the establishment of an air service between Japan and China. In the negotiations conducted at Nanking the Chinese were reported to have tentatively agreed to lower China's import duties on rayon and cotton textiles, sugar, marine products, and sundries for the improvement of trade relations between the two countries. A proposal for the establishment of a Sino-Japanese air service would probably be acceptable to the Chinese under certain conditions.

✓
With regard to the proposed "reorientation" of Japan's China policy based on economic desiderata, it has recently been reported that the Government has officially decided to send an economic mission to China on March 12 under the chairmanship of Mr. Kenji Kodama, former President of the Yokohama Specie Bank. Mr. Kodama is reputed to be an authority on Chinese affairs and also to be popular in China. At the same time it is reported that the Premier holds the belief that a renewal of diplomatic negotiations with China would serve no useful purpose.

As a result of the lessening of tension over the internal political situation and the Premier's conciliatory statements in the Diet regarding China there has been a renewal of public interest in Sino-Japanese

affairs.

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

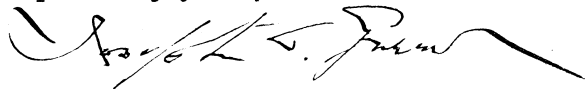
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affairs. There has been an insistent demand on the part of the liberal elements in the Diet for the adoption of a more sympathetic attitude toward China and for a clarification by the Government of its concrete aims with regard to that country. Furthermore, the Japanese newspapers are unanimous in approving the change of policy now being considered by the Government. Most of the newspapers take the position that Japan can now deal with China as an equal because that country is a united nation and not, as formerly, an entity composed of warring factions. In many of the recent editorials concerning China it has been stated that Japan has no wish to infringe on the territorial integrity of that country as an independent State. Thus the contrast between the present tone of the press and its former tone is patent.

It may be of interest to note that THE JAPAN TIMES of February 22 compared Japan's reported decision to alter its China policy with President Roosevelt's alleged decision to abandon the "Stimson policy of sending nagging notes to Tokyo".

Respectfully yours,



Joseph C. Grew.

710

GDA:C

Copy to Embassy, Peiping;
" " " Moscow.

0211

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

DOCUMENT FILE

NOTE

SEE 893.00/14058 FOR Despatch #1067

FROM China (Lockhart) DATED Feb.19,1937.
Hd/ NAME 1-127 ope

REGARDING: Serious reversal of Japanese Military in Suiyuan during November,1936:Reports regarding -, with particular reference to reversals at Pailingmiao and Tamiao.

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793.94/ 8547

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721

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

DOCUMENT FILE

NOTE

SEE 893.00 P.R.Shanghai/100 FOR Desp.#597

FROM Shanghai (Gauss) DATED Feb.5,1937
//H// NAME 1-1127 070

REGARDING: Relations between China and Japan: Reports
regarding -, during January,1937.Remarkable
absence of Sino-Japanese incidents.

fpg

793.94/8548

8548

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793.94
Japan. Sino-Japanese relations were less troubled during January than has been the case for many months, Chinese attention being centered on the liquidation of the Sian affair while the Japanese were occupied with their own cabinet crisis. There was no resumption of Sino-Japanese diplomatic negotiations and Japanese political and military pressure upon China appeared to have relaxed during the month. Japanese Ambassador Kawagoe remained in Shanghai during January. The Japanese continued closely to watch the trend of events at Sian and may be expected strongly to oppose any agreement that may be reached between the National Government and the Chinese Communists in Shensi and Kansu. On the other hand, the Chinese paid the greatest attention to developments in the cabinet crisis in Japan, it being felt that the outcome would exercise a profound influence over the future course of Sino-Japanese relations. Disappointment was registered in Chinese circles at the failure of General Ugaki to form a cabinet, and the fear was entertained that army dominance in Japan would be followed by continued aggression against which the Chinese may be expected to offer resistance.

There was a remarkable absence of Sino-Japanese incidents in Shanghai during January, presumably attributable to relaxed relations between the two countries. However, the Japanese landing party continued to exercise precautionary measures in the Hongkew area and held extended maneuvers at the end of the month

0214

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A potential source of friction appeared during the month in Radio Station IQHA, recently acquired by Japanese interests from an American citizen. Persistent interference with that station's broadcasts was reported, lending credence to the belief that the Chinese authorities were determined to obstruct Japanese broadcasting in Shanghai.

The two Chinese who were sentenced to death for the murder of the Japanese marine, Nakayama, appealed their cases to the Supreme Court in Nanking during the month. The appeal brought by the defendants in the Kayau murder case was heard before the Kiangsu High Court sitting in Soochow on January twenty-eight, following which the case was remanded indefinitely.

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DOCUMENT FILE

NOTE

SEE 893.00 P.R.Tientsin/104 FOR Desp .#-

FROM Tientsin (Berger) DATED Feb.2,1937
NAME 1127 070
H//

REGARDING: Relations between China and Japan: Gives summary
of developments in -, during year, 1936.

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793.94/8549

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B. Relations with other countries.

793.94
(44-2-19)

1. Japan. At the close of 1935 Japanese-directed "Manchukuo" and irregular troops had possessed themselves of the greater portion of the Province of Chahar, and stood poised on the borders of Suiyuan; the Japanese military had forced the establishment of a semi-autonomous Political Council, governing Hopei and what remained of Chahar, as a frame-work around which they were in the process of building a Japanese-controlled North China State; and for all the valor of a few thousand student demonstrators, the people of North China seemed ready docilely to follow their supine leaders into a foreign servitude.

By the end of 1936 the progressive occupation of Inner Mongolia had been abruptly checked in eastern Suiyuan; the establishment of an autonomous government in North China by any means short of war had become a virtual impossibility; and a new consciousness of the common destiny of all Chinese, developed by student and other patriotic propaganda, was beginning to become apparent among the masses of the people, and to make itself felt in the councils of their leaders. In Inner Mongolia, in North China, and in the minds of Northern Chinese, Japanese ascendancy had somehow failed of fruition. This at least temporary arrest of Japanese aggression is the most significant development in the political history of

North

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North China in 1936.

a. In Inner Mongolia. To complete the occupation of Inner Mongolia, and to gain control of the Peiping-Suiyuan Railway, it was necessary that Japanese, or Japanese-controlled Chinese or Mongol troops, possess themselves of the Province of Suiyuan.

The occupation, in December, 1935, of a belt of six hsien stretching across central Chahar to the Suiyuan provincial boundary, had assured Japanese control of perhaps as much as nine-tenths of the land area of that province, and had at the same time isolated the Teh Wang, the leader of the Inner Mongolian Autonomous Government, since it left him with no contact with the Central Government at Nanking except such as he could maintain through his enemy, General Fu Tso-i, the Chairman of the Suiyuan Provincial Government. Although the Teh Wang persistently protested his loyalty to Nanking, it soon became evident that he was being subjected to the strongest pressure from the members of the Japanese "special service corps" in Inner Mongolia to force him to declare his independence. This pressure was coincident with that which was being brought to bear on Chinese leaders in North China wouth of the wall, and in the considerable uncertainty as to the ability of the Chinese Government to maintain itself at that time, and with a man who was his personal enemy at his back, Prince Teh evidently capitulated. Reports became current that he intended to set up a "Mengkukuo", and the presence of Japanese advisers at his capital,

and

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and the movement back and forth through Inner Mongolia of Japanese military officers, afforded a sufficient indication of the course which events were taking. Early in 1936, the Nanking Government, apparently alarmed by the situation, took (upon General Fu's advice) the step which perhaps decided the Teh Wang in his new allegiance: it established a second Inner Mongolian Autonomous Council for the Mongols in Suiyuan, separate from that in which the Teh Wang had been the leading spirit. In July he was reported to have journeyed by aeroplane to Hsinking in "Manchukuo", and his lieutenant, Pao Yueh-ch'ing, was said to be recruiting an army on the borders of Jehol.

In Wang Ying, a Chinese of a distinguished lineage who had become a bandit leader when his large land-holdings in west Suiyuan had been confiscated by the Chinese authorities of that area, the Japanese found a second more or less willing tool. By the last week of July they were able to combine forces under Wang's command with those of General Li Shou-hsin and Prince Teh, and, based on Shang Tu and Ch'angpei in Chahar, to attempt tentatively the invasion of Suiyuan. However, the steps being taken to recruit these "irregular" forces, and their objective, had long been matters of public knowledge, and General Fu Tso-i had for months been making the most elaborate preparations to withstand the expected drive on the territory under his control, and he was therefore able to repulse the first attack.

In

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In November the real thrust began. Supported by aeroplanes, the irregulars started a concerted movement on P'ingtich'uan, a strategic point on the Peiping-Suiyuan Railway, and engaged the Suiyuan troops at Hung Ke Erh T'u. After considerable fighting they were again driven back.

On November 24th the Suiyuan Provincial troops attacked and took Pailingmiao, the most important base of the rebellious Mongols. Several weeks later the Mongols' second-line base, Ta Miao, also fell, making the recapture of Pailingmiao by the irregular forces as they were then constituted practically impossible.

During the early summer Japanese agents had reached the western-most limits of Inner Mongolia, and had established a wireless set in the headquarters of the Ta Wang, hereditary Prince of the Ahlshan Banner, but with the occupation of Pailingmiao by loyal Chinese troops, they were reported to have been withdrawn, and the forces in possession of Chahar began the construction of defensive works against a possible offensive from Suiyuan. The plans of the Japanese military for Inner Mongolia had, for the time at least, been checked.

b. In North China. In Inner Mongolia the struggle between Chinese and Japanese forces was precipitated in a brief conflict for the possession of the Province of Suiyuan, the issue of which was clear, whereas the contest between those same forces for hegemony in North China proceeded more obscurely, and was centered

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centered upon the frustration or accomplishment of the plan of the Japanese military to effect the establishment of an autonomous North China State.

When the efforts of General Doihara and other members of the Japanese military to force the immediate declaration of North China's independence from the Central Government in the last months of 1935 were unsuccessful, they brought about a compromise arrangement under which a semi-autonomous Political Council was set up as the governing body of the Provinces of Hopei and Chahar. But Hopei already possessed a provincial administration adequate to discharge the functions of government in this province, and in Chahar the provincial governmental machinery which had presumably once been sufficient for the whole of that province was at the close of 1935 left with only the southernmost strip of its former area to rule. Superfluous as a governing body for the two provinces, the Political Council had either to expand its functions until it should become in fact an autonomous government for North China, or to exist briefly as an amorphous duplicate administration doomed to eventual disappearance.

The design for the Council's expansion envisaged the inclusion in it of other provinces, the severance of financial relations between it and Nanking, the expansion of its administrative machinery, the extension of the powers of its Foreign Affairs Commission to a degree which would permit of direct diplomatic negotiations

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negotiations independent of the Ministry of Foreign Affairs of the Central Government, and the appointment to all key positions under it of pro-Japanese officials and of numerous Japanese advisers to those officials.

Japanese military control over the territories under the jurisdiction of this expanded and strengthened Political Council was to be assured by a pact to be negotiated with General Sung Che-yuan setting forth in detail the circumstances under which Japanese troops would be at liberty to "cooperate" with those of the 29th Army in the suppression of communism in North China; by a considerable enlargement of the Japanese North China Garrison; and by the stationing in North China of a sufficient number of high-ranking Japanese Army officers to permit of the immediate creation of a large Japanese military machine in this area.

The Government of North China thus visualized would in fact have been almost as separate from that at Nanking as is the Government of "Manchukuo", and its territories would, like those of "Manchukuo", have been under a form of military occupation.

In an effort to bring about the first and perhaps most important of these conditions precedent to an "autonomous" government in North China, General Doihara and other Japanese military leaders visited Sui-yuan, Shansi, and Shantung, the three provinces which were originally to have formed, with Hopei and Chahar,

the

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the territory of the new state. In none of these provinces were the authorities willing to participate in the Council, and the subsequent departure of General Doihara from North China is popularly supposed to have been caused by the abruptness with which General Han Fu-chu, the Chairman of the Provincial Government of Shantung, rejected his importunities.

One of the strongest Japanese arguments for the establishment of the Council had been that the revenues of North China, if they were retained here rather than being remitted to the Central Government at Nanking, would be sufficient to finance a large-scale development of this area which would, in turn, relieve the impoverished masses here. To such Chinese leaders as would listen to them they pictured a North China covered by a net-work of modern roads, and crossed by at least one new railway, with adequate harbors, and asphalt streets in all the larger towns and cities. Various economic and agricultural projects were also to be undertaken with the surplus funds which would be saved for the North by severance of financial relations with the Nanking Government. The idea of retaining the revenues of this area for use here was so essential to the fundamental objects of the Council that it is doubtful if, without the prospect of the successful retention of those revenues, it could ever have come into existence. Of North China revenues the most important were those of the Maritime Customs, and the Council was therefore persuaded to issue an order early in January for their

sequestration

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sequestration. But the Commissioner of Customs, acting on instructions from the Inspector General, resisted their seizure and, after a short period of considerable tension, a compromise was reached whereby the Customs revenues would continue to be remitted to Nanking, and that Government promised the Council a monthly subsidy of a million dollars from those revenues. This sum was no more than had been given the Branch Military Council in previous years, and the settlement left the Hopei-Chahar Political Council still largely dependent financially on Nanking. At the time that this arrangement was made, the Council's Japanese sponsors perhaps believed that it was best to bide their time until the Council should become stronger, when the Central Government would be unable successfully to oppose it. In any event, the issue has proved that without the nurture of Northern revenues, the Northern regime is doomed to impotence.

In their attempt to procure the expansion of the Council's administrative machinery, its creators were more fortunate. Early in the year its membership was increased from seventeen to twenty, and in several months' time Reconstruction, Communications and Codification Commissions had been added to the already existent subordinate organs under it. A proposal that a body which would have in effect been a congress of representatives of all organizations in North China favoring "autonomy" be inaugurated was early dropped, and projected Education and other Commissions were never launched.

When

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When it had been formed, the powers of the very important Foreign Relations Commission of the Council had been restricted to the study of diplomatic problems affecting Hopei and Chahar. In order to make possible direct diplomatic negotiations between various Japanese authorities and the Political Council, it was necessary that these powers be extended to permit of the Commission's dealing with such problems itself. This extension of its powers was affected in February, but the Council itself failed to grow to that stature which would have made the full exercise of the Commission's new functions possible, and in August General Sung Che-yuan, at least partially actuated by his desire to conciliate the Nanking Government after the collapse of the rebellion in the Southwest, issued a statement in which he asserted that he had informed the Japanese authorities that they should refer all future Sino-Japanese diplomatic issues to the Foreign Office at Nanking instead of taking them up with the local Chinese officials. Thereafter the opening of formal Sino-Japanese diplomatic negotiations in Nanking, in which North China problems were one of the most important considerations, largely divested the Foreign Relations Commission of its significance.

Of the conditions which it is presumed the Japanese felt to be essential to the development of the Political Council along the lines which they had laid down for it, the one which was probably the most completely realized at the outset was that requiring the appointment of pro-Japanese Chinese to

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all of the more important posts under it. The power and influence which the half-Japanese Ch'en Chueh-sheng, Managing Director of the Peining Railway and Chairman of the Communications Commission, the Japanophile Ch'en Chung-fu, Chairman of the Foreign Relations Commission, and the unfathomable Hsiao Chen-ying, Mayor of Tientsin (to mention only three of the more prominent among an numerous group) wielded in the affairs of the Political Council, of which they were all members, was for some months so considerable as to make it seem that North China had already passed almost completely under what to all intents and purposes was direct Japanese control. At some time during the early summer, perhaps on the occasion of the Council meeting at which Hsiao had his famous quarrel with Generals Chang Tzu-chung and Liu Ju-ming, reputed members of the "resistance clique" among General Sung's subordinates, the tide turned; Hsiao lost favor with his Japanese supporters and was replaced, and from then on both Ch'en Chueh-sheng and Ch'en Chung-fu, together with many lesser Japanophiles, tended to recede into comparative obscurity.

The requirement that Japanese advisers be appointed to the various administrative organs under the Council was met by the selection of several who had served in the same capacity in "Manchukuo". Although they have unquestionably been influential in the government of North China, none of them has achieved anything comparable to the power which General Doihara,

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the first unofficial Japanese adviser-in-chief to the Political Council, held in the early months of the year. The task of empire-building which he left unfinished when he departed from North China in March his successor, General Matsumuro, was unable to complete.

The proposal that General Sung Che-yuan should enter into an "anti-communist" pact with the leaders of the Japanese military in North China appears to have been first seriously advanced in the spring of the year, and the strongest pressure to bring about his accession to it continued throughout the summer. Sung is reported to have boasted repeatedly that, in contrast to General Ho and several other Chinese leaders who had recently found themselves in a somewhat similar position, he had signed nothing. Although some Chinese believe that later in the year he reached what may only have been a verbal understanding with General Tashiro, the Commandant of the Japanese North China Garrison, covering certain economic concessions, there would appear to be little doubt but that he successfully resisted the efforts of the Japanese to coerce him into the signature of a pact which would have put the areas in his trust at the mercy of Japanese armed forces.

When Japanese pressure to force Sung's accession to the "anti-communist" pact was at its height, occasion was taken to effect the related measures by which Japanese military dominance in

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North China was to be secured. A new Japanese barracks was hurriedly constructed on the outskirts of Tientsin; the North China Garrison was doubled or trebled in size and placed for the first time under a Commandant directly appointed by the Emperor of Japan; and a Major General was placed in command of a skeleton brigade in Peiping, his assignment complementing those of General Tashiro in Tientsin and General Matsumuro in Peiping in the sense that with them the Ministry of War at Tokio was assured of the possession of so considerable a staff of high-ranking army officers in the Chinese province of Hopei as to make possible the rapid amplification of its war machine there whenever that Ministry desired it.

A ludicrously trivial incident involving Chinese troops of a divisional commander of the 29th Army, General Feng Chih-an, and Japanese troops at Fengt'ai, the strategic railway center south-west of Peiping, which occurred in September, afforded the Japanese military the pretext for which they appear to have been waiting to force the evacuation of that place by the Chinese troops garrisoned there.

Large-scale Japanese troop maneuvers, held from October 25 to November 4, and involving a war-game in which one "army" of Japanese troops defended Peiping and another attacked it, were evidently intended to give the people of Hopei a vivid display of the Japanese military strength in this Province.

However, with General Sung's refusal

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to sign an "anti-Communist" pact, it became impossible to realize the larger plan to which the establishment of a skeleton Japanese "High Command" in North China, the increase in the strength of the Garrison, and the virtual occupation of the strategically situated railway town of Fengt'ai, were only incidental steps of comparatively slight importance in themselves. Shortly after the Japanese troop maneuvers, General Sung himself held a maneuver of part of his troops, and the strategic disadvantage suffered through the evacuation of Fengt'ai was said to have been in part at least off-set by a considerable concentration of Chinese troops to the south and west of that point. In December General Matsumuro was transferred from Peiping, and a Colonel was despatched to take over his duties there, as the unofficial adviser to the Hopei-Chahar Political Council, the governing organ from which a few months earlier the Japanese would appear to have expected so much.

By the end of 1936 it was clear that the Council could not under existing conditions become the governing organ of an "independent" North China, and the possibility of the establishment of the once openly projected "Huapeikuo" by any means short of war appeared to have become remote.

With the failure of the Hopei-Chahar Political Council to develop into an independent government, the position of the "East Hopei Anti-Communist Autonomous Government" which was set up in November, 1935, by the Japanese military under the nominal
 governorship

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governorship of Yin Ju-keng as an example for the Council to follow, became more than ever anomalous. In organizing it, the Japanese and the Chinese who served them in the project took advantage of the terms of the Tangku Truce, signed in 1933, under which a Demilitarized Zone was marked off in north-eastern Hopei as a buffer between "Manchukuo" and China, and into which Chinese armed forces could not venture. Although it would thus appear possible for the Japanese to maintain Yin and his "government" in the Zone until the Tangku Truce is abrogated, Yin's position at the close of the year was apparently becoming increasingly insecure. He would appear to have no sound reason to expect to realize the hope which he expressed at the celebration in T'ungchow of the first anniversary of the establishment of his regime, that the rest of China would soon follow him in the path of Sino-Japanese "cooperation". He was reported to have been obliged to contribute heavily to the support of the "irregulars'" attack on the Province of Suiyuan, and it was rumored at one time that the Japanese proposed the union of his regime with one to be set up in Northern Chahar. Disaffection appeared to be spreading in his Peace Preservation Corps, and several mutinies occurred among its members. As an experiment in the creation on a small scale of a Japanese-controlled Chinese "autonomous" state in North China, the Chi-Tung Government would appear to have failed, the regime having proved of value only as a market for narcotics and as a base for wholesale smuggling.

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c. In the minds of the people. Of the factors in the arrestment of Japanese aggression in North China the least ponderable and possibly the most important is the shift which has occurred in the course of the last year in the attitude of mind of the Northern Chinese. After 1933 it apparently came to be believed generally here that the Nanking Government had determined upon a policy of full retreat from the North. For this there were precedents in history, and a surviving particularism made the fact of such a decision appear more plausible. In the north-east there was the state of "Manchukuo", which the Japanese insisted so soberly had been established 'in response to the will of the 30,000,000' as to make their allegations seem almost credible; from the Province of Hopei the Central Government troops had been withdrawn, and a Chairman who was disqualified for his post because of his opposition to Japanese hegemony in North China had been transferred, both on the orders of Nanking; and activities 'injurious to relations with a friendly state' were being savagely suppressed.

In their reactions to this situation the people of North China, as distinct from the military, fell into three fairly clear categories. The more substantial business and professional men, who stood to lose most if actual warfare had broken out here, tended to follow the course of prudence in becoming active in various Japanese-sponsored societies for the promotion of better understanding between China and Japan, and

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many of them appeared to be committing themselves even further in the direction of support for "autonomy". The illiterate masses who formed the vast majority of the population appeared indifferent to the issue. Between these two groups were the so-called intellectuals, comprising the comparatively large student element in Peiping and Tientsin, the educationalists, writers and journalists. More numerous and articulate but less responsible than the first group, they were much more alive to the implications of "autonomy" than the latter, and it was they who in fact were responsible for the first sharp opposition to the course of events in North China. Every effort of the Japanese military to move one step forward into this area was punctuated by student strikes and demonstrations, and for each Sino-Japanese society which was formed under Japanese auspices, several more 'national salvation' associations would come into being, organized by indignantly patriotic Chinese. Students traveled in groups of ten over considerable areas of the Province of Hopel lecturing the peasants on the menace of Japan, and both the student unions and the various patriotic associations carried on extensive propaganda campaigns. "Chinese should not fight Chinese" and "Turn outward as one man", the oft-repeated student phrases, became familiar to every Northern Chinese. The provincial authorities, and later the Central Government, apprehensive lest this openly "anti-Japanese" agitation should involve them in serious complications, used every available means to

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to suppress it, and were successful only in turning the movement against themselves as well.

The series of anti-Japanese incidents in which troops of the 29th Army were involved, and the sympathy which the soldiers revealed for student and other agitators for resistance whom they were sent to suppress, indicated the attitude of the Chinese troops in this area. Of their leaders only General Sung himself left any doubt in the minds of observers of his real allegiance: the three divisional commanders under him, and who held the actual command of his troops, were all, by general report at least, adherents of the "resistance clique".

The settlement of the Southwestern revolt without recourse to civil war, the perhaps exaggerated prominence given in the press to reports of Chinese successes in the Suiyuan campaign, and the fact that the Government's support of that campaign appeared to commit it at last to a policy of resistance, gained for the Central authorities stronger support than they perhaps have ever had in North China. To many Northern Chinese the apparent stiffening of the attitude of the Central Government toward further Japanese encroachments offered a way to escape from the dilemma into which they had been placed by the necessity of attacking their own government in order to oppose the Japanese invasion.

The detention of General Chiang K'ai-shek at Sian dramatized the struggle of the Government
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for internal unity, and popularized adherence to its program.

The loss of prestige suffered by the Japanese as the result of the coup d'etat of February 26 in Tokyo and of their connection with smuggling and the sale of narcotics in this area aided the Chinese in their gradual emergence from the feeling that Japanese control in North China was inevitable.

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DOCUMENT FILE

NOTE

SEE 893.00 P.R./131 FOR #350-

FROM China (Nanking) (Johnson) DATED Feb 10, 1937
TO NAME 1-1127 GPO

REGARDING: Sino-Japanese relations of the month of January, 1937:
Reported Japanese intrigue at Chengchow, Honan; unauthorized
flight of Japanese airplanes over Chinese territory.

793.94/8550

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2. Relations with Japan.

Reported Japanese intrigue at Chengchow, Honan.

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Early in the month the Chinese authorities at Chengchow, Honan, the junction of the Lunghai and Peiping-Hankow railways, were reported to have raided a local Japanese agency suspected of subversive activities and to have arrested three Japanese and seized

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a large number of incriminating documents. According to press reports it was established that the Japanese in question were engaged in supplying arms to the bandits in the locality, with a view to causing disturbances along the railway, spreading subversive propaganda, collecting Chinese military secrets, and selling drugs. The Ministry of Foreign Affairs was reported to have lodged a verbal protest with the Japanese Embassy against the illegal activities of these Japanese subjects in China, and on January 25 the semi-official Central News Agency reported that the Foreign Office, after having had an opportunity carefully to study the seized documents, formally lodged a stern protest against the Japanese espionage activities at Chengchow.

Unauthorized flight of Japanese airplanes over Chinese Territory.

A number of unauthorized flights of Japanese airplanes over Chinese territory were reported during the month. Despatches from Tsingtao and Tsinan reported that a Japanese airplane had flown over both of those cities and scattered large numbers of the old five-barred flag and pamphlets criticising the Kuomintang and urging the restoration of the republican form of government*.

The Ministry of Foreign Affairs was reported to have lodged two protests with the Japanese Embassy against these violations of China's sovereignty but, according to press reports, no reply to these protests was made during January.

Political

* Tsingtao's despatch No. 175 of January 5, 1937.
 Tsinan's despatch No. 27 of January 7, 1937.

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DOCUMENT FILE

NOTE

SEE 893.00 P.R./132 FOR #1063-

FROM China (Lockhart) DATED Feb 18, 1937
 TO NAME 1-1127 ***

REGARDING: Sino-Japanese relations during the month of January, 1937:
 Summary of the more important-

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8551

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B. Relations with other countries:

1. Japan:

a. Developments delayed by domestic political confusion:

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(182-9)

The absence during January of significant developments in Sino-Japanese affairs was due primarily to the confused domestic situation existing in both countries. In China the authorities had not recovered from the uncertainties created by the detention from December 12 to 26 at Hainan by Marshal Chang Hsueh-liang of General Chiang Kai-shek and by the persistence of the rebellious attitude of the forces in Shensi and Kansu Provinces of Marshal Chang and General Yang Hu-ch'eng. In Japan interest was focused on the situation at Tokyo resulting from the fall on January 23 of the Hirota Cabinet following criticism in the Diet by opponents of policies of the Japanese military.

b. Non-resumption of Sino-Japanese negotiations:

Negotiations were not resumed during January by representatives of the Governments of China and Japan. Some interested Japanese expressed the opinion that when negotiations with China were resumed a more rational and equitable

China

2. Hanking's telegram to Department of State, January 29, 12 noon.

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China policy might be expected because of the growing realization among Japanese military and civilian leaders that Japan's aggressive China policy since the rise to power of the Japanese military in 1931 had failed in all important aspects. As evidence of failure mention was made of the increasing nationalism of Chinese, the progressing unity, the growing power of General Chiang Kai-shek, the continuing dependence of the five northern provinces on the National Government, the non-profit to Japan of either "Manchukuo" or the five northern provinces, the refusal of the National Government to enter into agreements with regard to communism, reduced tariffs, and the like, and the collapse of the Japanese-directed Suiyuan campaign. Chinese opinion, on the other hand, was divided, some Chinese being apprehensive that the success of the Japanese military in effecting the formation of the new Hayashi Cabinet would mean no relaxation in Japan's China policy and others thinking that the Japanese military would be more moderate because of its realization that, if pressed too hard, the Chinese must fight.

c. Sino-Japanese conversations at Tientsin:

In North China conversations between Chinese and Japanese authorities took place, General Sung Cha-yuan, Chairman of the Hepei-Chahar Political Council, meeting periodically at Tientsin with Lieutenant-General Kanichiro Tashiro, Commander of the Japanese North China Garrison. Many unsubstantiated rumors with regard to the subjects discussed were current, but, in the absence of trustworthy

information

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information, it seemed probable that their conversations concerned primarily the question of financing economic developments in North China desired by the Japanese. Whether the question of greater autonomy for General Pang's regime was discussed was not known. It was scarcely to be expected, however, that at least certain elements of the Japanese military had abandoned hope in that regard, a hope which was temporarily enlivened by the Han affair but which presumably had to be suspended until the situation at Tokyo clarified. On the other hand, some disillusioned military may have given consideration to the advisability of solving Sino-Japanese problems by some such method as the giving over to the Chinese the control of east Hopei and north Chahar in return for such Chinese economic concessions as a lowered Chinese tariff.

In view of these negotiations and of the stiffening during recent months of the attitude of the National Government toward Japan, it was of interest to recall the National Government's instruction of December 4, 1936, to the Executive Yuan reaffirming that "unless approved by the Central Government all agreements concluded in regard to foreign affairs between the various provinces and municipalities and provisions for the joint use of capital and articles of capital cooperation with foreigners are void".

4.

5. Hanking's despatch to Department 221, December 12, 1936.

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d. Japanese aid in disarming of unresistables:

There was some evidence of an improvement in the Japanese attitude in North China. An indication was the closing of the 18 Japanese gambling resorts in Tsiang. According to a Japanese official concerned, efforts were to be made to close the approximately 100 heroin shops in Tientsin run by Koreans, although it could be "difficult because of the large number". He stated that the purpose of the Japanese action was to brighten the situation in Hopei and Chahar Provinces.

e. Further weakening of outsiders in Manch's regime:

The influence of that group of Chinese who joined General Wang Chue-yuan's clique at the time he was entering into power in Hopei Province and who have apparently been identified with the negotiating with the Japanese declined further with the acceptance on January 11 by General Wang of the resignation of Mr. Ch'en Chung-fu from the post of chairman of the Foreign Affairs Committee of the Hopei-Chahar Political Council. His resignation left only one important figure of that type in a significant position; namely, the half Japanese Mr. Ch'en Chueh-sheng, Managing-director of the Tsiping-Jordan Railway. Various reasons for Mr. Ch'en Chung-fu's resignation were rumored, most of them indicating that it was due to his failure to effect improvement in General Wang's position vis-a-vis the Japanese.

f. Japanese dissatisfaction over Ch'en's resignation:

The Japanese military were dissatisfied with Mr. Ch'en Chung-fu's resignation and with General Wang's

appointment

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appointment of General Chia Te-yueh to succeed him. (General Chia is a graduate of the Tokyo Military Academy, was premier in 1926 under Marshal Tuan Chi-jui, and has been a member of the Hopei-Chahar Political Council since its inception.) According to a Japanese official, the dissatisfaction of the military arose from its belief that it should be consulted with regard to resignations and appointments in General Lung's regime. Presumably its dissatisfaction was the cause of General Chia's declining the post. Subsequently Mr. Chen Chueh-sheng was offered the position but refused it.

C. Propaganda leaflets over Tsingtao and Tainan⁴

That the attitude of at least some Japanese had not altered materially was indicated by the flight on January 6 of an airplane, evidently Japanese, over the cities of Tsingtao and Tainan to scatter pamphlets and thousands of five-barred flags of the East Hopei Anti-communist Autonomous Government. (Reportedly other cities in North China were similarly visited.) The pamphlets criticized the Kuomintang, called for resistance against communism, and invited alliance with Japan and "Manchukuo". The Chinese authorities at Tsingtao were said to have made an oral protest to the Japanese Consulate General, but at Tainan the occurrence was ignored. It was understood that subsequently the Chinese Foreign Office protested against unauthorized flights of Japanese planes over Chinese territory.

h.

4. Tsingtao's despatch to Embassy 179, January 6, and Tainan's despatch to Embassy 182, January 7.

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b. Arrest of Japanese at Shengchow

Three Japanese were arrested and documents seized on January 4 by Chinese authorities at Shengchow, the intersection point in Honan Province of the Lung-hai and Ping-han Railways. The documents revealed a plot to detach China north of the Yellow River from the National Government through the creation of disturbances. The culprits were turned over to a Japanese consular officer; the Chinese Foreign Office protested to the Japanese authorities; and the latter protested to the Chinese on the ground that the extraterritorial rights of those arrested had been infringed. The incident did not become important, except as an indication of subversive activities which are being uncovered from time to time in North China.

1. Military situation in Suiyuan Province

Fighting in Suiyuan Province between Government forces and Japanese-directed Mongols and irregulars which came to a pause in late November was not resumed during January, although reports continued to be received of active preparations by Japanese military presumably intended for a renewal of aggression. The November defeat, however, had so lowered the prestige of the Japanese military among the Mongols and had so weakened the Japanese protégés through desertions to the Suiyuan defenders that some observers thought that a renewed advance might be delayed

for

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- 5. Embassy's telegrams 11, January 8, 3 p.m., 20, January 12, 5 p.m., and 24, February 2, 5 p.m., paragraph 2.
 - 6. Embassy's telegram 6, January 6, 3 p.m., and despatch 1023, January 29.

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for some time. This loss of prestige and numerical strength, as well as impaired morale, may have been the basis for a report that the Mongols of Chahar had entered into some kind of agreement with communist elements to the west. It may also have been the cause of the reputed despatch on January 13 by Prince Teh, leading Mongol in Chahar, of a conciliatory message to the National Government.

1. Smuggling in North China:

Detailed official reports on the amount of smuggled goods arriving at the east railway station at Tientsin from the north-east, which are the most reliable indication of the trend of the illicit trade, showed an increase during January, as compared with December, only in kerosene and in piece goods, the former being 18.5 percent and the latter 0.5 percent. Decreases occurred in the other articles listed, especially in sugar and "sundries", sugar declining from 70,000 bags in December to 59,000 in January and "sundries" declining from 87,000 packages in December to 42,000 in January. Figures received with regard to the movement of motor trucks carrying smuggled goods showed a sharp decline in the number of trucks moving in January as compared with the number in December.

It was understood that the continuing efforts of Chinese authorities to prevent the movement of smuggled goods southward out of Hopei resulted in a further increase in the amount of smuggled goods in storage in Tientsin. It was not believed, however, that any

significant

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significant change in the smuggling situation was likely to occur as long as the Kwantung Army maintained its control of the demilitarized area of northern Hopedai and looked favorably on the smuggling trade.

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TELEGRAM RECEIVED SPECIAL GRAY and GRAY

Peiping via N.R.

1-1220

FROM

Dated March 23, 1937

Rec'd 8:30 a.m.

Secretary of State
Washington

COPIES SENT TO
J.N.L. AND M.L.D.

Division of
FAR EASTERN AFFAIRS

MAR 23 1937

Department of State

793.94

97, March 23, 4 p.m.

9530

Reference Embassy's 86, March 9, noon; paragraph five
Embassy's 88, March 11, 4 p.m.; and paragraphs three and
four Embassy's 92, March 16, 5 p.m.

9541

One. A well informed civilian Japanese official has
stated in private conversation that he sees no (repeat no)
probability of a change in the status of Yin Ju Keng's
regime in East Hopei nor of a return of Chahar north of the
Great Wall to Chinese control.

Two. The Vice Chief of Staff of the Kwantung army
told the local representative of the CHICAGO DAILY NEWS a
few days ago that he did not believe it likely that the
status of Yin Ju Keng's regime would be changed for the
present. He also said that the Japanese military have ad-
vised the Mongols in Chahar not to try to win Suiyuan by
fighting but by peaceful negotiation and that there will
be no fighting of any sort against the Chinese forces in
Suiyuan.

By mail to Tokyo.

LOCKHART

CSB

793.94/8552

MAR 25 1937

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TELEGRAM RECEIVED

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SPECIAL GRAY and GRAY

Peiping via N.R.

Dated March 24, 1937

Rec'd 8:50 a.m.

A/C/C

RECORDING DESK

FILE ~~WHB~~ Secretary of State

Washington

COPIES SENT TO
O.N.I. AND M.I.D.

Department of State

99, March 24, 3 p.m.

Reference Embassy's 89, March 11, 5 p.m., paragraph one.

A competent Japanese official concerned with Sino-Japanese economic cooperation in North China has recently indicated in private conversation the absence as yet of significant achievement in that regard. According to him (a) the question of the proposed railway from Shihkiachwang to Tientsin has not yet been settled, the Japanese being unable to persuade the Chinese authorities to sign the necessary agreement, and (b) the proposed exploring of iron ore deposits in southern Chahar Province is problematical because of the doubtful economic value of the scheme. According to this informant, the question has not yet been decided whether the iron content of the Chahar ore (about fifty per cent) is sufficient to justify development in view of the cost of transportation of the materials requisite for the making of pig iron and of construction of necessary furnaces and in view of other expenses which would arise as a result of geographical factors.

By mail to Tokyo.

KLP

LOCKHART

793.94/8553

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as confidential
Commence
E. G. L.

TELEGRAM RECEIVED

KLP

1-1336

GRAM & SP... MAR 25 1937

FROM Banking via N. R.

Dated March 24, 1937.

Rec'd. 9:55 a.m.

March 25 1937
Copy to Treasury
rev

Secretary of State,
Washington.

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STRICTLY CONFIDENTIAL

OFFICE OF ECONOMIC ADVISERS
MAR 25 1937
DEPARTMENT OF STATE

A/C/C
RECORDING DESK

FILE - WMB

793-79

134, March 24, 4 p.m.

My 119, March 16, 1 p.m., and 121, March 18, 9 a.m.

One. Japanese Economic Mission left Shanghai for Japan yesterday although, according to press reports, three members are remaining for the time being in order to visit North China. According to the informant mentioned, 133, March 24, 3 p.m., the mission accomplished nothing because the Chinese do not (repeat not) want Japanese "Economic cooperation" which they understand to mean Japanese "domination".

Two. In the conversations between members and Chinese officials and businessmen in Shanghai, the Chinese appear to have insisted that a readjustment of the political relations of the two countries is necessary before any concrete program of "Economic cooperation" can be agreed upon and this insistence is blamed by Japanese press reports widely circulating in China (notably Domei from Tokyo,

March

793.24/3034

MAR 31 1937

FILED

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

9-2

- 2 -

134 from Nanking - March 24, 4 p.m.

March 22, quoting the TOKYO ASAHI) as responsible for what is termed the mission's failure. These reported comments state that the mission's visit was employed chiefly as excuse for "exchange of complaints", there is no hope of Japanese economic cooperation with China in any part of that country but the north, hopes of a political readjustment are to be despaired of because of the Chinese attitude mentioned above, and there is accordingly nothing left for Japan to do but push her economic program in North China.

Three. Sent to the Department, by mail to Peiping, Shanghai, Tokyo. March 24, 6 p.m.

JOHNSON

KLP:CSB

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

9-3

March 25 1937

In reply refer to
 FE 793.94/8554

CONFIDENTIAL

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and, with reference to this Department's letter of March 24, 1937, and to previous correspondence in regard to the visit to China of a Japanese economic mission, encloses, for the information of the Secretary of the Treasury, a copy of telegram No. 134 of March 24, 4 p.m., from the American Embassy at Nanking.

793.94/8554

Enclosure:
 From Embassy Nanking
 No. 134, March 24, 4 p.m.

MAR 25 1937

FE:RCM:EJL
 3/24/37

m.m.H.
 FE

A true copy of the signed original.

EA
 SKH
 EF

F/FG

0251
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

DOCUMENT FILE

NOTE

SEE 893.00 P.R.Swatow/111 FOR Desp.#30
FROM Swatow (Ketcham) DATED Feb.10,1937
#611 NAME 1-1127 070

REGARDING: Relations between China and Japan: Reports regarding -,
for the month of January, 1937.

fpg

793.94 / 8555

8555

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-

II FOREIGN RELATIONS.

(a) Relations with the United States.

Nothing to report.

(b) Relations with Other Countries.

Japan.

793.94
 A party of Japanese Journalists from Formosa, passing through Swatow on their return from a trip to Canton, took some photographs of a soldiers' barracks near the Swatow railway station on January 11. The captain in charge demanded the films and after some dispute they were handed over to him. The Japanese Consul protested to the Mayor's Office, demanding the return of the films and an apology from the captain. As the films were not returned and no apology was forthcoming, it is understood that the affair has been referred to the Nanking government. Formosan papers are also understood to have played up the incident.

The anti-smuggling guards, of whom there are said to be about 1,000 in eastern Kwangtung both in plain clothes and in uniform, have been active in suppressing smuggling operations.

According to a Shanghai vernacular paper the "Shun" fact, a Japanese company, called the Chung Nan Kaisha has recently been established at Swatow, as a branch of Formosa Development Company. The company according to the report has an ambitious scheme for economic penetration of eastern Kwangtung, particularly in the Meihai and Chao-an districts. The company is said to have the backing of the Mitsui and Mitsubishi interests, and aims to import into this district beans, beanske and other Manchurian products, sea foods, matches, yarn, piece goods and artificial silk, and miscellaneous Japanese manufactured articles. It will also engage in exporting to Japan wolfram, antimony, tin and other raw products.

Very

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

-3-

Very little is known about the company as it is still in the formative stage, but it is known that the former building of the Great Eastern Ice Works, next to the Japanese Consulate has recently been occupied by a concern, calling itself the Chung Wen Tai-shu, and it is possible that there may be some truth in the report, as Japan has not made much headway in import trade in the Swatow district.

Great Britain.

Butterfield and Swire company experienced considerable trouble in the early part of the month with a local seamen's guild, arising from the refusal of a British employee of the company to permit a member of the Liang Nam Guild to supervise loading of cargo on the S.S. Anshui on December 30, 1936, which was bound for Singapore. The Britisher was knocked from the deck into a lighter, where he was threatened by coolies with loading picks. Police were summoned and the Liang Nam Guild threatened a boycott of the Butterfield and Swire ships, and attempted to gain the support of other shipping guilds. Parleys were held between the shipping company and the guild, and although the Liang Nam Guild has continued the boycott, so far the threatened general boycott has not spread.

(c) Relations of a General International Character.

The local police have been quite active during the month in issuing notices to treaty nationals to register their property, presumably in preparation for the administration of the National land tax law. Several foreigners have been served with summons to appear before the local bureau, but the summons have been ignored. In a conversation with the Councillor to the Mayor, he admitted that the police had made a mistake in summoning American citizens to appear at the local police station.

(d)

0254

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

CORRECTED COPY
TELEGRAM RECEIVED

U

GRAY and SPECIAL GRAY

1-1326

FROM

Peiping via N.R.

Dated March 25, 1937

Rec'd 10:05 a.m.

Secretary of State

Washington

COPIES SENT TO
 O.N.I. AND M.I.D.

Division
 FAR EASTERN AFFAIRS

100, March 25, 6 p.m.

Embassy's 98, March 24, 11 a.m.

AR 26 1937
 Department of State

One. An officer of the local Japanese Embassy, as well as the local representative of the Domei news agency, has stated in conversation that there is no (repeat no) increase of Sino-Japanese tension in North China as a result of recent incidents, of which two are mentioned below. Foreign observers are not (repeat not) aware of any significant increase of tension.

Two. As a result of occasional searching (beginning last October) of Japanese, including military and civil officers, traveling on the Pingsui Railway, by Chinese soldiers allegedly to discover smuggled narcotics, written representations were presented March 23 by an officer of the local Japanese Embassy to the Mayor of Peiping, requesting an apology, punishment of the officials immediately involved, and a guarantee against recurrence of the offenses, which the Japanese officials claim is an infringement of extraterritoriality.

Three.

793.94/3556

FILED

9 2 5 5
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

U -2- #100, March 25, 6 p.m. from Peiping

Three. This official informed a local foreign press correspondent that the Chinese authorities had previously been approached two or three times on the matter and that representations were finally made for the purpose of putting a stop to a recent increase in anti-Japanese feeling.

Four. The Mayor is reported to have replied to the Japanese that the Chinese authorities would protect and assist those Japanese who travel on legitimate business with proper travel documents.

Five. A recent incident at Tungchow involving the beating of a Korean by a soldier of Sung Che Yuan's army, has reputedly been settled quietly by an officer of that army and one of Yin's Japanese advisers.

By mail to Tokyo.

LOCKHART

CSB

125
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

U

GRAY and SPECIAL GRAY

1-1336

FROM Peiping via N.R.

Dated March 25, 1937

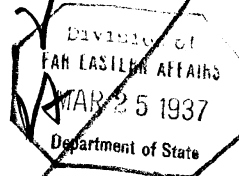
Rec'd 10:05 a.m.

Secretary of State

Washington

COPIES SENT TO
O.N.I. AND M.I.D.

582



100, March 25, 6 p.m.

794.00/115

Embassy's 98, March 24, 11 a.m.

793.94

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Two. As a result of occasional searching (beginning last October) of Japanese, including military and civil officers, traveling on the Pingsui Railway, by Chinese soldiers allegedly to discover smuggled narcotics, written representations were presented March 23 by an officer of the local Japanese Embassy to the Mayor of Peiping of extraterritoriality.

Three. This official informed a local foreign press correspondent that the Chinese authorities had previously been approached two or three times on the matter and that representations

793.94/8556

F/G

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

U -2- #100, Mar. 25, 6 p.m. from Peiping

representations were finally made for the purpose of putting a stop to a recent increase in anti-Japanese feeling.

Four. The Mayor is reported to have replied to the Japanese that the Chinese authorities would protect and assist those Japanese who travel on legitimate business with proper travel documents.

Five. A recent incident at Tungchow involving the beating of a Korean by a soldier of Sung Che Yuan's army, has reputedly been settled quietly by an officer of that army and one of Yin's Japanese advisers.

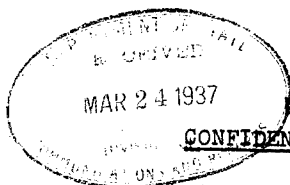
By mail to Tokyo.

LOCKHART

CSB

0258

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

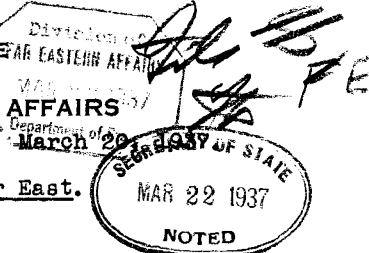


DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

CONFIDENTIALThe Situation in the Far East.

6:
 Mr. Secretary:



793.94

During the week in review, telegrams from our Embassy at Peiping transmitted reports of the establishment of an independent government in Chahar Province north of the Great Wall (about nine-tenths of the Province) under Japanese sponsorship and with the Mongolian Prince Teh (Teh Wang) as chief executive. Press despatches from both Tokyo and Nanking indicated that officials in the two capitals were inclined to discredit the reports. It is felt that this new development, if indeed such a development has taken place, is of no great significance. The area in question has been "independent" (under Japanese control) in all but name for the past year. Inasmuch as information so far received is meager and inconclusive, a prediction with regard to the possible effect of the reported development on Sino-Japanese relations is not warranted.

A Japanese Economic Commission, composed of leading industrialists, bankers and business men, visited Nanking and Shanghai during the week in review. The leader of the Commission denied that the Commission had any special mission but stated that the Commission would "doubtless prepare the ground of economic cooperation between China and Japan". General Chiang Kai-shek informed the Commission that China desires the friendly help and advice of Japan.

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 FE:JCV:VCI

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 MAR 9 1937

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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

DOCUMENT FILE

NOTE

SEE 893.00 P.R.Tientsin/105 FOR Desp.#-

FROM Tientsin (Berger) DATED Feb.6,1937
//Hφ// NAME 1-1127 ***

REGARDING: Relations between China and Japan: Affairs of
the Hopei-Chahar Political Council: Resumption
of Conversations: Manifesto and Instructions:
Reports regarding -.

fpg

793.94 / 8558

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

Summary.

(1) Resumption of conversations.

793.94
 Sino-Japanese conversations on various problems involving Hopei and Chahar, and touching upon the question of the Lung Yen Iron Mines, the Tsang-shih Railway and other projected developments in North China, were resumed during January between General Tashiro, Commander of the Japanese North China Garrison, for the Japanese, and General Sung Che-yuan (宋哲元), Chairman of the Hopei-Chahar Political Council, for the Chinese. Observers here do not anticipate that these discussions will have any important issue unless a "leftist" semi-autonomous government in the Northwest results from the Shensi situation.

(2) Manifesto and Instructions.

During January General Sung Che-yuan issued a manifesto, setting forth three points as the bases of his policy: (1) Maintenance of national unity, (2) Protection of national sovereignty, (3) Suppression of Communist activities. At the same time he issued a circular instruction to all his subordinates stating that (1) there should be no civil war (2) "those who trespass upon our land or insult our people are our enemies and should be exterminated", (3) bandits and communists

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-

communists who disturb public order should be eradicated, (4) the suppression of banditry and communism is not civil war. The issuance of a manifesto and instructions of this kind may possibly have been prompted by a desire on General Sung's part to influence the negotiations which are now going on in Tungkuai, Nanking and Fenghua between the Central Government and the "leftist" elements who appear to hold a balance of power in Sian. So far as is discernible here, they have no immediate significance in the North China political situation.

(3) Commissions Reorganized. A report in the vernacular press on January 7 stated that, pursuant to the orders of the Hopei-Chahar Political Council, the Economic Commission subordinate to that Council had been reorganized and the services of some 60 of its staff members had been dispensed with. It was also reported during the month that as a result of the refusal of Chia Te-yueh (賈德耀) to assume the post of Chairman of the Foreign Affairs Commission in place of the recently resigned Ch'en Chung-fu (陳中孚), the administrative functions of the post had been divided between two of the commission's members. Its Tientsin office was abolished, presumably to cut down expenses.

1262

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

TELEGRAM RECEIVED

GRAY and SPECIAL GRAY

Peiping via N.R.

FROM Dated March 27, 1937

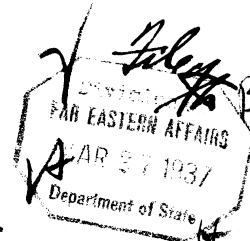
Rec'd 7 a.m.

Secretary of State
Washington

COPIES SENT TO
O.N.I. AND M.I.D.

101, March 27, noon.

Reference Embassy's 100, March 25, 6 p.m.



One. A Japanese official concerned with efforts to settle the question of search by Chinese of Japanese nationals on the Pingsui Railway expressed yesterday in private conversation apprehension as to possible outcome of the matter. His comments are given in paragraph two to seven inclusive of this telegram.

Two. When the First Secretary of the Japanese Embassy presented to Chin Teh Chun, the Mayor of Peiping, the three requests, the attitude of the Mayor was surprisingly stiff; he made no expression of regret; and he said that a reply would be made after he had conferred with his colleagues. No reply has yet been forthcoming.

Three. The first incident occurred last October, when a Japanese businessman was held for some time at the Peiping station of the Pingsui line and his luggage searched. A verbal protest, without demands, was made. The second occurred in December when a Japanese Consul was searched at Nankou pass at the point of revolvers. A verbal protest

was

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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

U -2- #101, Mar. 27, noon from Peiping

was made, including a request for an apology and the reprimanding of those responsible. No reply has been received. Another Japanese Consul was similarly treated at Nankou in February ; and in March the Japanese military officer stationed at Kalgan, a commander of a regiment of the North China garrison, and a newspaper man were treated on separate occasions in like manner. No protest was made with regard to these four incidents until that of March 23.

Four. Sung Che Yuan's men have become increasingly arrogant. If the Chinese reply should be unsatisfactory, it might be necessary to force the withdrawal of Sung's soldiers who are stationed at Nankou.

Five. The Japanese have offered to cooperate in stopping illegal activities of Japanese. A logical step will be for Japanese consular police now stationed at Peiping and Kalgan to search Japanese passengers of the Pingsui line so that the Chinese authorities may be assured that such passengers are not pursuing illegal activities and thus have no need themselves to conduct searches.

Six. If the Japanese do not maintain a stiff attitude, their prestige will be injured.

Seven. The primary difficulty in Sino-Japanese relations at present is that the Japanese wish to settle economic questions

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

U -3- #101, March 27, noon from Peiping

questions first while the Chinese wish first to settle political questions.

Although a minor incident has occurred at Tientsin involving Chinese and Japanese nationals and another at Peiping since my telegram of March 25, there continues to be no apparent increase in tension.

By mail to Tokyo.

LOCKHART

HPD

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

DOCUMENT FILE

NOTE

SEE 794.00/115 FOR Tel.#98-11am.

FROM China (Lockhart) DATED Mar.24,1937
#6111 NAME 1-1127 GPO

REGARDING: Foreign policy of Japanese Foreign Minister Sato;Opti-
mism caused by earlier statements of Sato, indicating that
future policy of Japan toward China would be more con-
ciliatory seems to have diminished. Later statements
appear to be reassuring on this point,

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793.94/ 8560

8560

0266

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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GRAY and SPECIAL GRAY

Peiping via N.R.

Dated March 24, 1937

Rec'd 12:50 p.m.

Secretary of State

Washington

98, March 24, 11 a.m.

One. The optimism created in North China by press reports of earlier statements of the new Japanese Foreign Minister, which indicated that Japan's future policy with regard to China might henceforth be more moderate and conciliatory, seems to have diminished. This optimism has decreased in part because subsequent reports of statements of the Foreign Minister indicate that something (presumably the displeasure of the military) has caused him to be less reassuring, implying that the future policy may not (repeat not) be as conciliatory or moderate as seemed at first probable. Lesser causes of the decrease in optimism have been (A) press reports of the failure of the Kodama economic mission to accomplish anything concrete and (B) recent conferences of Japanese military officers held at Shanghai and Tientsin, which were perhaps routine in character but which nevertheless created uneasiness among Chinese observers.

Two. The Vice Chief of Staff of the Kwantung army recently said to the Far Eastern correspondent of the

CHICAGO

NOTE
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Subj. North China

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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

U -2- #98, March 24, 11 a.m. from Peiping

CHICAGO DAILY NEWS that the Foreign Minister having amended his original statement on policy, the Kwantung army was not (repeat not) now in disagreement with his "later statement".

By mail to Tokyo.

LOCKHART

RR:CSB

794.00/115

3268

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

Copies hereof to be sent to Commerce
Copy also to as confidential

and RAY

TELEGRAM RECEIVED

Peiping via N.R.

Dated March 23, 1937

Rec'd a.m.

March 24 1937

COPIES SENT TO
O.N.I. AND M.I.D.

FROM

Secretary of State

Washington

SECRETARY

ACIC 96, March 23, noon.

RECORDING DESK
FILE - WHB

8 p.m.

Reference paragraph three Embassy's 94, March 20,

A responsible Japanese official, in whose statements
reliance may be placed, has stated in private conversation
that the report that the Japanese military authorities
warned the Kodama Mission against visiting North China is
untrue, that, on the contrary, the commander of the Japanese
North China garrison invited the mission to visit the North,
that the mission's plans to dissolve in Shanghai had already
been made, that Kodama could not accept the commander's
invitation because his affairs in Japan necessitated his
early return, and that, in accordance with plan, a few
members of the mission, including the President of the
Bank of Chosen, will visit North China.

By mail to Tokyo.

LOCKHART

KLP:HPD

MAR 24 1937

793.94/8561

8561
F/FG

0265

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

DOCUMENT FILE

NOTE

SEE 894.00 P.R./110 FOR Desp.#2257

FROM Japan (Grew) DATED Feb.15,1937
19/1 NAME 1-1127 GPO

REGARDING: Relations between China and Japan: Developments
in -, during January,1937. Reports regarding
this subject.

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793.94 / 8562

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727

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

II. RELATIONS WITH OTHER COUNTRIES.

(a). China.

793.94

According to press reports, the Japanese Government has decided to resume the negotiations with the Chinese Government which had been broken off during the early part of December.**** Apparently, little was known concerning the basis on which the negotiations would be resumed. However, there was some discussion of a "re-orientation" of Japan's policy toward China based on economic lines. For example, Mr. Toyotaro Yuki, then newly appointed President of the Tokyo Chamber of Commerce and Industry, reportedly stated on January

294.00 FR/110

- * Department's instruction No. 1147 of November 25, 1936.
** Embassy's despatch No. 2223 of January 21, 1937.
*** Embassy's despatch No. 1277 of May 3, 1935.
**** Embassy's despatch No. 2190 of December 17, 1936.

0271

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

NA
(NY 18092)

DEPARTMENT OF STATE

~~MEM~~
~~JOV~~
~~1001~~ DIVISION OF FAR EASTERN AFFAIRS

April 17, 1937.

Canton's despatch No. 44, March 4, 1937, entitled "Further Evidence of Japanese Interest in Islands of the South China Seas" gives the following additional information on this subject:

- (1) A local Chinese official is credited with the statement that recently Japanese quarters had approached the Kwangtung Provincial Government on the desire of Japanese interests to fish in the waters surrounding and participate in the economic reconstruction of Tungsha (Pratt's) Island, and that the Provincial Government did not welcome the proposal.
- (2) Translation of an article appearing in a Wuchow newspaper on December 12, 1936, accusing Japan of a desire to seize the Tungsha and Hsisha (Parcel's) Islands in order to be in a position to cut the British line of communications between Hongkong and Singapore.
- (3) Copy of an article appearing in the Hongkong South China Morning Post on January 16, 1937, showing that no less than 448 tons of fish, caught by Japanese fishermen in Hainan waters, were on the Hongkong market competing with Chinese catch.

HES

FE:HES

0272

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. 44.

Copy for
 Department of State

AMERICAN CONSULATE GENERAL

March 4, 1937.

STRICTLY CONFIDENTIAL

G.	✓
Cham	✓
Q.N.S. M.I.D.	✓

Subject: Further Evidence of Japanese Interest
in Islands of the South China Seas.

793.94

The Honorable
 Nelson Truesler Johnson,
 American Ambassador,
 Peking.

957 MAR 11 1937

COMMUNICATIONS
 AND RECORDS

APR 1 1937
 DEPARTMENT OF STATE

COPIES SENT TO
 G.N.I. AND M.I.D.
 Division of
 FAR EASTERN AFFAIRS
 APR 6 - 1937
 Department of State

793.94/8564

Sir:

I have the honor to refer to this Consulate General's
 strictly confidential despatch of November 3, 1936, entitled
 "Japan's New Ambitions in South China Regions and Concern
 over Reported British and American Plans for Air Facilities
 in Paracels and Pratas", and to its despatch of November 11,
 1936, on the same general subject, and to report the follow-
 ing information in further reference to Japanese interest
 in the islands of the South China Seas.

A local Chinese official, who has proved generally reli-
 able and who, as a secretary in one of the local organs
 having much contact with foreigners, is usually well posted
 in regard to foreign relations, today informed a member of
 this office staff that he and a few other Chinese officials
 were yesterday invited to dinner by the Japanese Consul
 General. He stated in confidence that the Japanese Consul

General

F/H

0273

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-

General had shown particular interest in discussing Pratas (Tungsha Island) and the desire of Japanese interests to participate in its economic reconstruction and to establish a fishery center there. He (the informant) said that recently Japanese quarters had approached the Kwangtung Provincial Government in this matter, and that the Provincial Government had indicated that it did not welcome the proposals. He himself felt that "there is something queer" about this display of interest in the Tungsha fisheries.

In the above connection it may be noted that a few weeks ago a local vernacular press item reported that the Japanese Consul General had interviewed the Kwangtung Provincial Commissioner of Reconstruction regarding Kwangtung fisheries. It seems reasonable to assume that Japanese quarters are not enthusiastic over the recent Chinese public demand and reported projects for rescuing the Chinese fishing industry from the plight to which it has fallen, allegedly as a result of Japanese competition and illegal encroachment; that Japan is anxious to ensure that any Chinese rehabilitation programs will be modified to leave room for Japanese enterprise; and that Japan's interest in the Tungsha Island fisheries, while very likely inspired primarily for military strategic reasons, also represents a genuine interest in the allegedly desired fishing concession.

With respect to Japanese interest in the islands of the South China Seas in general, the Wuchow YAT PO, a Kwangtung Provincial subsidized organ, on December 12, 1936, published an article, of which the following is a translation in substance:

"Following

3274

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

-3-

"Following conclusion of the Tri-Partite Alliance between Germany, Japan and Italy, Japan's desire to seize the Tungsha (Pratas) and Hsisha (Paracels) Islands has apparently become more keen. According to authentic news at hand, Japan recently sent a large party of high naval officers to visit these islands on newly designed fishing boats under the pretext of catching fish. This party spent nine days on their trip and made a close study of matters such as the establishment of air-fields, fuel depots and wireless stations and possible methods of exploiting the guano industry.

According to certain observers, the action of this Japanese party in making this investigation is for the purpose of making preparations to permit Japanese occupation of the islands before that of any other nation. They intend to cut off communications by sea between Singapore and Hong Kong so as to enable Japan to carry out her plan of dominating the Pacific. Presumably, the recent visit of Japanese gunboats to Hainan waters* was connected with such Japanese plans; and because of reports that Great Britain was planning to lease the Tungsha and Hsisha Islands for use as air stations and fuel depots, Japan carried out such demonstration to prevent Great Britain from carrying out her intentions."

1/- There is enclosed an article which appeared in the Hong Kong SOUTH CHINA MORNING POST on January 16, 1937, which is believed to be of interest in the above relations, since it provides what appears to be concrete evidence of the extent to which the Japanese have entrenched themselves in the South China fishing industry.

Respectfully yours,

Irving N. Linnell,
 American Consul General.

Enclosure:

1/- Article in SOUTH CHINA MORNING POST, January 16, 1937.

Copies sent: 1 to Nanking.
 1 to Department.
 1 to Shanghai.
 1 to Swatow.
 1 to Commander, So. China Patrol.

800 ASC/gl

* Evidently that which occurred during and following the Pakhoi affair.

A true copy of
 the signed original.

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. 1 to despatch No. 44 to Embassy, Peiping,
 dated March 4, 1937, from Irving N. Linnell, American
 Consul General, Canton, on the subject: Further Evidence
 of Japanese Interest in Island of the South China Seas".

(TRANSLATION)

Source: SOUTH CHINA MORNING POST,
 Hong Kong, January 16, 1937.

Japanese Caught Fish from Hainan Waters

Virtual Monopoly

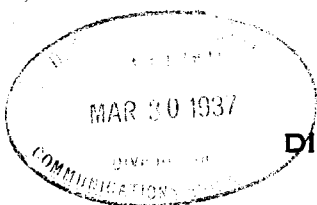
The arrival here, on Thursday, of four Japanese motor trawlers, made the total of 448 tons of frozen fish landed by them for local markets, one of the largest consignments of the nature for some time. Comprising principally bream, snapper and garoupa, fish is regularly trawled in Hainan waters, and is brought back independently, as holds are filled by each of the large fleet of vessels operated by the Kyodo Gyogyo Kaisha from Hong Kong. When fish is plentiful it is possible, however, for a number of trawlers to return here at one time, as on Thursday.

It is interesting to note that fish caught by these Japanese trawlers constitutes the greater part of the local market supplies, whereas up to a number of years ago these supplies were solely brought in by Chinese junks from Shaukiwan and Aberdeen, which today have found themselves hopelessly outdistanced by their up-to-date rivals equipped with modern deep sea tackle.

A fifth trawler, operated by the same Company, passed through also on Thursday with 1,718 piculs of fish destined for Takao, Formosa.

1276

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



DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

March 27, 1937.



CONFIDENTIAL

The Situation in the Far East.

6:
Mr. Secretary:

793.94

During the week in review there have not been reported from the Far East any definitive or significant developments.

(In FE's memorandum of March 25, addressed to the Secretary, entitled "Japanese Relations with China", there was described the possible trend of Sino-Japanese relations. In that memorandum the conclusion was stated that, "while Japan may be expected to relax to a more or less degree pressure upon China aimed at political objectives, no Japanese gains in North China are likely to be abandoned and efforts toward economic penetration particularly in the north are to be continued. This can only serve to keep alive the friction between the two countries.")

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0277

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1962
By Milton D. Eisenhower NARS, D.O. 10-1

10-1

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

April 7, 1937

~~SECRET~~
With despatch No. 2299 of March 3, 1937, entitled "General Doihara on China Policy", the Tokyo Embassy forwards a translation of an article by that General appearing in the March 1937 issue of BUNGEI SHUNJU.

General Doihara's comments are of unusual interest, particularly the following statements:

"When we inspect the Japanese activity toward China in the past we cannot help recognizing its failure and shortcoming. Japan's purpose in North China, for instance, is perfectly right, but the method attempted to accomplish her aim cannot be said altogether successful. Japan sought to spread the real spirit of the Japanese among the Chinese people as a partial propaganda, but this enterprise on the contrary stimulated the anti-Japanese sentiment."

"If an armed conflict should ever break out between Japan and the Soviet Union in the future, the China problem will be the cause instead of the Soviet-Manchou-kuo boundary dispute. The Soviet Union is sure to assume an offensive attitude against Japan when it succeeds in alienating China from Japan."

General

0278

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

10-1

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

April 7, 1937

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General

0215

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

10-2

DEPARTMENT OF STATE
DIVISION OF FAR EASTERN AFFAIRS
- 2 -

General Doihara advocates on the one hand an adequate national defense and administrative reform and on the other a campaign of propaganda in China designed to win the hearts of the Chinese people. Like all Japanese he fails to see the Chinese point of view underlying the prevailing attitude toward Japan, and he seems to over-estimate the favorable effect upon the Chinese people which the expansion of Japanese armaments advocated by him is likely to produce.

793.94/9566

JWB
FE:JWB/DLY

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

10-3



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

No. 2299.

AMERICAN EMBASSY
Tokyo, March 3, 1937.

SUBJECT: GENERAL DOIHARA ON CHINA POLICY.

793.94
not
741.94

1937 APR 6 PM 1 41

SECTION OF
COMMUNICATIONS
AND RECORDS

For	Grade	For

For	Grade	For



COPIES SENT TO
O.N.I. AND M.I.D.

The Honorable
The Secretary of State,
Washington.

Sir:

1/

I have the honor to transmit herewith copy of a translation of a recent magazine article by Lieutenant General Kenji Doihara, the Japanese officer who was so conspicuous in Manchuria in 1931 and 1932. Doihara is one of the Itagaki group, which has great weight in the army, and his views on the usefulness of increased Japanese armaments are worthy of attention, whatever may be the official policy of the Hayashi Cabinet.

The underlying chain of reasoning in the author's mind seems to be something like this: In Japan-Soviet rivalry

APR 16 1937

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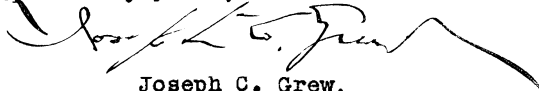
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

10-4

- 2 -

rivalry, China is the vital field. Communism in China must be stopped at any cost. An obstacle to Japan is the anti-Japanese agitation; Chiang Kai-shek made use of the movement for his own particular purposes, but it got out of hand until now its demands could be met only by Japan's abandoning the fight against communism, terminating activities in North China, and returning Manchuria. Japan's policy must be neither to support Chiang (which would be to accept his compromise with the communists) nor to overthrow him (which would inflame anti-Japanese sentiment), but to go to the Chinese people with a propaganda campaign which may have some small effect in spite of great difficulties; and more important, Japan's policy must be to strengthen national unity by internal reform, to increase Chinese respect for Japanese power by expanding the national armament of Japan. The necessary prelude to China's understanding Japan's disinterestedness is the building up of Japan's military power.

Respectfully yours,



Joseph C. Grew.

Enclosure: Copy of English translation in CONTEMPORARY
OPINIONS, February 25, 1937, Japan Must
Educate Chinese People She Has No Aggressive
Design.

710.

CC:r

Copy to Embassy, Peiping.
Copy to Embassy, Moscow.

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

10-5

Enclosure No. 1 to despatch
 No. 2299 of March 3, 1937,
 from the Embassy at Tokyo.

Copy by the American Embassy, Tokyo, of a translation
 in CONTEMPORARY OPINIONS, February 25, 1937, page 11. The
 original article in Japanese is in the March 1937 issue of
 BUNGEI SHUNJU.

CC:r

JAPAN MUST EDUCATE CHINESE PEOPLE SHE HAS NO AGGRESSIVE DESIGN.

.....

Present Grave Impasse in Sino-Japanese Relations due to Mis-
 understanding by Chinese of Japanese Government's Real
 Attitude, Which is Seeking Harmony among Oriental Races
 on Basis of Kingly Way

.....

Lt. Gen. Doihara Stresses China Must be Enlightened Her Real
 Enemy is Communism; Urges Abandonment by Japanese of Feeling
 of Superiority Over Chinese, and Perfection of Strong
 National Defense.

.....

By. Lt.-General KENJI DOIHARA
 Chief of Army's Special Service Organ
 at Mukden for many past years,
 Commander of the Home Organization
 of the First Division.

In order to find the way out of the present grave impasse
 with which the Sino-Japanese relation is confronted, it is
 necessary for us to study what has made the sentiment of
 the two peoples so aggravated against each other. In short,
 the situation is caused by the fact that Japan's real atti-
 tude toward China has not been clearly understood by the
 Chinese people and that Japan has unnecessarily inspired
 misunderstanding and suspicion by them. The greatest
 cause of all is that Japan has allowed the Chinese people
 to believe that the Japanese conduct toward China since
 the Manchurian Incident is an expression of aggressive
 design.

It is absolutely necessary for Japan to make the Chinese
 people understand thoroughly that she has no territorial
 ambition whatever toward China and at the same time en-
 lighten them that the real menace which would precipitate
 their country to its downfall is not Japan but Communism.
 Without Japan, there will be no stability in the Orient.
 And Again with the downfall of the Chinese nation, there
 could be no peace for Japan. It goes without saying that
 the close Sino-Japanese relation is the very foundation
 of the peace in the Orient. In spite of all this, the real
 intention

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

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intention of Japan has always been misunderstood by the Chinese people, causing them to entertain a feeling that Japan is bent on a territorial aggression on China. This is due partly to a lack of positive propaganda on the part of Japan to enlighten the Chinese people and to the attitude of some of the Japanese which inspires the Chinese suspicion.

The Japanese profess to stand for the spirit of Kodo, Kingly Way, but some of them are possessed with the sense of superiority over the Chinese people and despise them. They are the kind of people who attempt to profit themselves at the expense of the Chinese masses, and it is an undeniable fact that they have injured the Chinese national pride and stimulated their anti-Japanese sentiment. They should abandon this sense of superiority and make efforts to have the Chinese people understand and appreciate thoroughly the Japanese desire to establish an amicable Sino-Japanese relation on the basis of the sympathetic understanding between the two peoples.

Some Japanese maintain the necessity of overthrowing the Chiang Kai-shek political power and others insist on a cooperation with him, relying on the ability of the national Government under him to unify the country. But I am not a party to either of them. Those Japanese who are supporting Chiang overestimate the practical ability of the Nanking Government. It is true that the National Government has accomplished much in the way of the unification of the country during the past few years, but it is practically impossible for Chiang to convert the semi-feudalistic social state of China into that of a modern nation in a short time. As a matter of fact, China is a vast country, and its northern, southern and central sections are conflicting in their interests. What is more, Chiang has struck a compromise with the former Northeastern Army which has been half sovietized. This step on his part will not fail to be destructive to his scheme for the unification of the country.

The rapid expansion of the popular front in that country against Japan as the result of the participation of the communistic element in it requires special attention. The anti-Japanese movement is now beyond the control of Chiang Kai-shek. It is in the hand of the general public with the anti-Japanese popular front playing the leading part. When the Generalissimo undertook the task of unification of China, he realized the advantage of directing the public attention against a foreign enemy. The circumstances at that time were most convenient for him to mark out Japan. By this method, he went about his task with a "Resistance against Japan" as a slogan and at the same time succeeded in enlisting the support of Britain, the United States and the Soviet Union for his purpose.

His

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

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His method was something like killing two birds with one stone. From the very outset of his enterprise, therefore, he never dreamed of ever fighting Japan. He simply adopted the slogan as a mean to an end. At the time when he first came to the political center from Canton with his revolutionary army, he shook hands with the Communist party for expediency. But when he succeeded in establishing his political influence by the aid of the party, he had the communistic element driven out from the National Government by a coup d'etat. His anti-Japanese propaganda is of the same category in its method with the one he adopted at that time.

A man of Chiang's caliber cannot fail to realize that the downfall of Japan as the result of China's successful anti-Japanese campaign would inevitably mean aggrandizement of the communistic influence in that country. But he has gone altogether too far in his anti-Japanese campaign. The situation is suicidal to his political power, but he now can do nothing with the situation. Under the present circumstances, a reckless pressure on the anti-Japanese movement will also be suicidal to his political power. If Japan should shake hands with Chiang, relying on the ability of the Chinese central government, she will have to beat a retreat from China altogether, for the anti-Japanese movement in that country will no longer be satisfied until Japan abandons her work against Communism, ceases her activity in North China and restores Manchoukuo to China.

If Chiang is no longer worthy of depending upon, there is no alternative for Japan but to cope with the Chinese public which has become thoroughly imbued with the anti-Japanese sentiment. By the Chinese public, I mean the local warlords, government officials, businessmen, students and masses of Chinese people. In order to do away with the anti-Japanese sentiment in that country, Japan will have to win the hearts of the people directly, showing to them the sincerity of her purpose. Whatever may be the ability of Chiang Kai-shek for achieving the unification of the country, the conditions of the central government is after all subject to the condition and circumstances in which it has its being. Under such circumstances, therefore, Japan may come to an understanding with the Chinese central government only after winning the hearts of the Chinese people and creating a favorable atmosphere, in which the latter may carry on negotiations with the former for cooperation.

From such consideration, I am neither pro-Chiang nor anti-Chiang. There is no reason whatever to upset his political power. On the contrary, it is eminently unwise under the present circumstances to cause his downfall. But it is by no means an easy task for Japan to make the Chinese people at large understand that she is sincere. A plan to launch a propaganda among the four hundred millions of the Chinese people who are spread all over that vast

country

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

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country is practically impossible. As a practical measure, therefore, Japan should attain her object gradually by a partial enterprise. By this, I mean the promotion of economic cooperation and an energetic propaganda for the encouragement of harmony and concert among the Oriental races on the basis of the principle of Kodo, Kingly Way, which is the essence of the Oriental culture.

The economic cooperation is often said to be the trump card for the solution of the Sino-Japanese deadlock. There is much truth in this, for as a matter of fact, there is a great possibility for it since the Chinese people have a keen appreciation of what is meant by profit. But we have to understand also that while they may be interested in wealth and honor, they will never make a move for a mere wealth which is not accompanied by honor. In the promotion of economic collaboration as a measure to win the Chinese heart, therefore, it is necessary to carry it out in the name of Sino-Japanese cooperation.

In other words, if Japan succeeds in driving home to the Chinese people by a sincere and systematic method, which is backed by a practical power, that the foundation of peace and stability of the Eastern Asia can be realized only on the basis of harmony and concert of the Oriental races, and that Japan harbors no intention whatever to encroach upon China, I firmly believe that the Chinese people will be willing to follow Japan's lead in the movement. Sino-Japanese cultural cooperation may play a very significant part under such circumstances. As a practical method of cultural cooperation, Japan may exchange professors and students with China and enlighten the leading element in that country to acquire the correct appreciation of the actual Japanese national situation and the desire of the Japanese to cooperate with the Chinese people for the maintenance of the Orient for the Oriental peoples.

One may say that the Chinese young men are imbued with a profound anti-Japanese sentiment, having been brought up from their childhood with anti-Japanese education and in the anti-Japanese atmosphere, and therefore it is very difficult now to convince them to abandon it. Nevertheless, unless we exert ourselves to make them understand what we really are as referred to in the foregoing paragraph, it is practically impossible to hope for the realization of co-existence and co-prosperity of the two nations. And I believe such a propaganda is not at all impossible. At any rate, that is the only method there is to remove the conflicting sentiment existing between the two countries.

In order to launch such a propaganda among the Chinese people and succeed in the enterprise, Japan must have a definite and stable policy as I have pointed out, on which her China policy must be firmly established. Japan's China diplomacy in

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

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in the past has often failed because of the fact that it did not follow a definite course of action according to a fixed policy. To attain the desired effect of its policy, the Japanese Government must see to it that the Japanese people fully understand its significance and secure the complete unity of opinion among the people.

It is also absolutely necessary for Japan to have an adequate national armament to make the propaganda effective and win the hearts of the Chinese people. A propaganda without support of an adequate practical strength is powerless. Japan may launch a movement for the promotion of the great Asiatic spirit, but if she lacks practical power on which China may rely on with a feeling of security, the Chinese people are bound to hold Japan in contempt, affording an opportunity for Britain, the United States and the Soviet Union to take advantage of the situation. If Japan's national strength is developed to such an extent that there is no occasion for them to meddle with the affairs in this part of the world, the Japanese propaganda will become effective spontaneously and naturally.

When we inspect the Japanese activity toward China in the past in the light of the view I have stated in the foregoing paragraphs, we cannot help recognizing its failure and shortcoming. Japan's purpose in North China, for instance, is perfectly right, but the method attempted to accomplish her aim cannot be said altogether successful. Japan sought to spread the real spirit of the Japanese among the Chinese people as a partial propaganda, but this enterprise on the contrary stimulated the anti-Japanese sentiment. This was due to the lack of the proper attitude and preparation for the task. The success or failure of the Japanese propaganda depends upon the condition of Japan's practical ability. If the Chinese people recognize that Japan's public opinion is divided, they will never listen to it. The same is true with Japan's national defense. If they appraise Japanese national defense to be inferior to those of Britain, the United States or the Soviet Union, they will make light of Japan. It is a national trait of the Chinese people to take advantage of other's weakness to the last limit.

After all has been said and done, national unity and the efficiency of national defense are absolutely the first and foremost requirements for Japan to succeed in her propaganda in China. In other words, the fundamental requirement for the solution of the Sino-Japanese problem is to have Japan's internal situation on a sound basis. If an armed conflict should ever break out between Japan and the Soviet Union in the future, the China problem will be the cause instead of the Soviet-Manchoukuo boundary dispute. The Soviet Union is sure to assume an offensive attitude against Japan when it succeeds in alienating China from Japan. It is in the realization of such a contingency that the Japanese army is determined to have adequate national defense and insists on the general administrative reform.

.....

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

April 13, 1937.

~~JWB~~

MSM

JOV

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SKH-

Peiping's No.1084, March 4, 1937, forwards a copy of a memorandum of a conversation on February 23, 1937, between Ambassador Johnson and the Japanese Ambassador to China, Mr. Kawagowe, on conditions in China and Japanese policy.

The subjects discussed by the two Ambassadors may not be novel, but interesting passages have been marked at the margin for possible reference.

Ambassador Johnson states that this conversation and conversations he has had with other Japanese indicate that the Japanese are apparently reconsidering their whole attitude toward China and are contemplating some change in policy, - perhaps a more moderate one.

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HES

1288

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



EMBASSY OF THE
 UNITED STATES OF AMERICA

No. 1084

Peiping, March 4, 1937.

Subject: Conversation with the Japanese
Ambassador: Japan's China Policy.

COPIES SENT TO
 U.N.I. AND M.I.D.

STATE

1937 APR 6 PM 1 45

DEPT. OF
 COMMUNICATIONS
 AND RECORDS

For Distribution-Check		Yes	No
Grade	X	In C.S.A.	✓
For			

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793.94/8567

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

Sir:

I have the honor to enclose a copy of a memo-
 1/
 randum of a conversation of February 23, 1937, be-
 tween the Ambassador and Mr. Shigeru Kawagoe, the
 Japanese Ambassador to China, with regard to con-
 ditions in China and Japan's policy.

Mr. Kawagoe asked somewhat abruptly for an
 opinion as to present conditions in China and future
 trends and was told that the new Chinese generation
 was growing up conscious of itself and of its relationship

APR 16 1937

F/FG

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

- 2 -

to the rest of the world, that important changes in education and in the Government's interest in the welfare of the people had taken place, that there was a growing feeling of nationalism, that if China were let alone her progress would be slowly in the direction of national unity, that the consequent internal problems would so occupy her that she would be a menace to no one, but that interference with China by other nations might hasten developments in China in an unsatisfactory way. In reply to a question whether pressure from Japan had been responsible for China's development of national consciousness, Mr. Kawagoe was told that Japanese activities and pressure on China had hastened the development of nationalism and that the Japanese had furnished the rising group of Chinese nationalists with much of the material which they were using to fan the flames of nationalism in China. Mr. Kawagoe stated that Japan's policy toward China was now in process of change, although he did not describe what this change would be. In agreeing to the statement made by Mr. Johnson that Japan seems to be the natural user of China's raw products and that China was a natural market for Japan's manufactured products, Mr. Kawagoe remarked that it was evident that China would develop an industry of its own and that this industry in China would parallel Japanese industry and come into competition with it.

Mr. Kawagoe's discussion, together with conversations with other Japanese, indicated that the

Japanese

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

- 3 -

Japanese are apparently reconsidering their whole attitude toward China and are contemplating some change in policy,- perhaps a more moderate one.

Respectfully yours,

For the Ambassador:

Frank P. Lockhart
 Frank P. Lockhart
 Counselor of Embassy

Enclosure:

Copy of memorandum,
 as stated.

Original and 4 copies to Department.
 Copy to Embassy, Nanking.
 Copy to Embassy, Tokyo.

710

LES-SC

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

Memorandum of Conversation.

522

1
1084

Nankin, February 23, 1937.

Mr. Shigeru Kawagoe, Japanese Ambassador, and Mr. Johnson.

Subject: Conditions in China, and Japanese policy.

Mr. Kawagoe called, accompanied by a secretary who acted as interpreter, as Mr. Kawagoe does not speak any English. After some desultory conversation, Mr. Kawagoe somewhat abruptly asked me for my opinion as to present conditions in China and future trends.

I told Mr. Kawagoe that it was very difficult to foresee the future in regard to China, although it was easy enough to state the present trends. I said that I found a great deal of change in China since I first came thirty years ago. In the first place, Chinese scholars no longer wrote and spoke merely for the benefit of Chinese scholars; they were now writing their essays, their poems, and their arguments for a larger audience, and using the common language of the people as a means of communicating their thoughts and their ideas, their ideals and their hopes, to this larger audience of the common people of China. I stated that this represented a very great change over the past.

I stated that another change which had taken place

was

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

- 2 -

was the establishment of schools. When I came to China thirty years ago there were no schools to speak of. The governing class in China apparently was not conscious then of any obligation to teach people to read and write, or to understand Western sciences. But schools had been established, and now I observed on the streets great numbers of children, girls and boys, going to school; and I knew that at school they were learning to have a common mind; they were learning to think of themselves as a nation of Chinese; they were learning to read, and therefore to read the thoughts and ideas, and the ideals that were being communicated to them by China's modern scholars. They were learning to write, and therefore to communicate in turn their reactions to these modern writers or scholars. So that a ferment was in process. A new generation was growing up, conscious of itself and of its relationship to the rest of the world.

I said that there was another change that had come about, viz: when I came to China thirty years ago the Government was doing nothing to build roads, improve communications, or restore the rural economy of the country; but now all this was different. The Government was building roads and taking interest in rural welfare and in communications generally. And all these things indicated a change, a growing feeling of nationalism, and of responsibility on the part of the new generations coming into power, not only for themselves, but for the welfare of

the

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

- 3 -

the people as a whole.

I said that it was easy enough to describe these conditions, but it was very difficult to foresee the future. I remarked that if China were let alone I felt that I could definitely say that her progress would be slowly in the direction of national unity, for this growing consciousness of her problems and her growing desire to solve them would in my opinion keep her well occupied for the next hundred years, so that she would be a menace to no one. But in a world which we had previously discussed, a world in which there was a conflict between the man who worked with machinery and the man who worked with the soil, there was always the possibility that nations preoccupied with this struggle might jostle the Chinese in their efforts to solve their own problems, and I feared that such jostling might hasten developments in China in this way or that way. For instance, I pointed out that there had been at one time a very real and grave danger that the Chinese might be forced to adopt the Soviet method of settling their own differences, and that such a trend in China would have been disastrous for every one, but that I thought this danger had now passed; and I felt that if China could be let alone now there would be no further danger of this kind.

Mr. Kawagoe remarked that China had first come into contact with the West over a hundred years ago, but

that

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that except for the last thirty odd years there had been no evidence in China of any development of a national consciousness. He wondered why China had been so long in achieving this result. Was it because of pressure from the outside? Was it because of pressure from Japan?

I told Mr. Kawagoe that there were several reasons for this delayed development of a nationalistic feeling among the Chinese. In the first place, the first fifty of the hundred years which he mentioned marked the end of a dynasty, a period during which an expiring dynasty, too weak to give direction to these new forces, fought them with every bit of its weakening power. Therefore, it was not until the dynasty disappeared that the Chinese were free to develop education, communications, and the other means whereby a nationalist spirit could be developed, and for this reason this nationalistic spirit had had its chief development during the last thirty odd years, with the opening of schools and so on. I remarked that this development had been hastened, however, by Japanese activities, Japanese pressure on China; that the Japanese had furnished the rising group of Chinese nationalists with much of the material which they were using to fan the flames of nationalism in China.

I again said that developments of this kind must of necessity be slow in China, because the Chinese after all were a continental people, and that it was characteristic of a continental people - in contrast with an is-

land

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



THE FOREIGN SERVICE
 OF THE
 UNITED STATES OF AMERICA

AMERICAN EMBASSY

Tokyo, March 18, 1937.

No. 2317.

SUBJECT: SINO-JAPANESE RELATIONS.

1937 APR 6 PM 1 43

DEPT. OF STATE
 COMMUNICATIONS
 AND RECORDS

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Copy in FE (381)

1937
 Department of State
[Signature]

The Honorable

The Secretary of State,
 Washington.

Sir:

I have the honor to report that the recent trend toward an improvement in Sino-Japanese relations, as reported in the Embassy's last two despatches on the subject,* has thus far met with no setback.

Premier Hayashi's advocacy of a more conciliatory and equitable policy toward China, to which he gave voice

* Embassy's despatches No. 2226 of February 16, 1937 and No. 2281, February 25, 1937.

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voice in the Diet, was re-emphasized by the speeches before the Diet of the new Minister for Foreign Affairs, Mr. Sato. Mr. Sato's remarks were apparently received with favor by Mr. Wang Ching-wei, Chairman of the Central Political Council of the Kuomintang. The Japanese Economic Mission has departed for China with the announced intention of bringing about a reconciliation of international feeling to the end that an economic rapprochement may be effected.

Interpellated in the House of Peers in his first appearance before the Diet on March 8, Mr. Sato stated that Japan would have to start from a new point in its relations with China, explaining that by this he meant that negotiations must be taken up on the basis of equality, i.e., in the normal international way. He intimated that Japan had in the past looked upon China as an inferior and that such an attitude always tended to hamper international relations. Two days later Mr. Sato said that the adjustment of Sino-Japanese diplomatic relations must be based on a harmony of feeling between the two nations. In this connection he noted that whereas many Chinese who study in Japan go home with aggrieved feelings, the Chinese who study in America have a very friendly feeling for that country. Mr. Sato added that thus it was clear that the Japanese people must learn to treat Chinese residents in this country with much more sympathy and kindness.

On March 11 Mr. Yusuke Tsurumi of the Minseito interpellated the Minister for Foreign Affairs in the Lower House, asserting that the latter's remarks about dealing with

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with China on an equal footing were too abstract and inquiring as to whether the question of "Manchukuo" would be taken up in any negotiations that Japan might conduct with China. In reply Mr. Sato asserted that his remarks concerning a treatment of China on the basis of equality were meant to be abstract and that he simply wished to strike the keynote of Japan's future policy. He went on to state that Japan need not hesitate to present demands fairly and openly to China; that if this should be done Japan would not be regarded with suspicion by the Powers or by China; and that even if China should reject the minimum Japanese demands Japan would have to be patient until China accepted them. The Minister for Foreign Affairs stated that since "Manchukuo" was a fait accompli Japan had no idea of taking up this question in future Sino-Japanese negotiations.

There was a considerable amount of criticism from the Army on the way in which Mr. Sato had worded his statements regarding China. Consequently on March 12, reportedly after a conference with the Premier and the War and Navy Ministers, Mr. Sato made an explanatory statement to the effect that his reference to the necessity for patience in the conduct of Sino-Japanese negotiations did not mean that Japan should be patient if China "trampled international justice under foot or damaged our prestige".

According to Domei of March 5, on that day Dr. Wang Chung-hui, just designated Chinese Minister for Foreign Affairs, declared to Chinese newspaper men that

diplomatic

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diplomatic relations between Japan and China should be based on the principle of equality recognized by international law and that the two countries must cooperate in establishing peace in the Orient with reciprocal good faith and friendship.

Presumably encouraged by the tendency in Japan toward a change of attitude with respect to China, as evidenced by the Diet remarks of Mr. Sato outlined above, Mr. Wang Ching-wei, Chairman of the Central Political Council of the Kuomintang, gave an interview to a representative of Domei on March 10 in which he appealed to the Japanese Government and people for a sincere realization of the aspiration of the 400 million people of China for the accomplishment of their national unity and independence. In this interview Mr. Wang Ching-wei stated that the key to the solution of the question of adjusting administrative rights in North China was held by the Japanese. He also praised Premier Hayashi and Mr. Sato for their attitude toward China.

A Japanese economic mission headed by Mr. Kenji Kodama, President of the Sino-Japanese Trade Society, left Tokyo on March 11 for China. On the eve of his departure from Tokyo, Mr. Kodama issued a statement in which he said that reconciliation of national feeling was a requisite to the realization of Sino-Japanese economic cooperation and that in his opinion Sino-Japanese relations should be improved on the principle of respect for China's territory and sovereignty and on the basis of economic reciprocity and equality. In

making

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making this statement the head of the Japanese Economic Mission was simply reiterating the views already expressed in the Diet by Premier Hayashi and Mr. Sato. According to the JAPAN TIMES, the aims of the Japanese Economic Mission, in addition to the furtherance of good relations between the two countries, are to bring about the readjustment of the "anti-Japanese" tariff and co-operation in developing transportation, mining, cotton, spinning, and shipping.

With reference to specific economic projects, Count Hideo Kodama, Minister for Communications, stated before a Budget Committee meeting of the Lower House on May 3 that the establishment of a 7-hour express airplane service between Tokyo and Peiping was definitely under consideration by the Japanese Government. According to the JAPAN TIMES of March 16, an agreement was signed on March 4 by the Tokyo Development Company and Chinese interests for a plan to organize a Sino-Japanese joint corporation for the mining of a 30,000,000 ton coal deposit near Chingwantao and alongside the Great Wall.

Editorials in the Japanese press have expressed sympathy for Mr. Sato's conciliatory ideas with regard to China and have acclaimed the sending of the Japanese economic mission to China as a wise step.

The Premier and the Minister for Foreign Affairs, supported by public opinion as expressed in the vernacular press, appear to be not only sincere but also determined in their desire for a change of policy toward China. While the Army has not expressed opposition to the essence of

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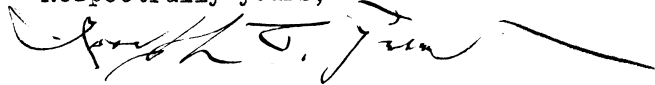
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of the new program, there is always the possibility that the plans of the Government in this direction may be upset through the Army's disapproval of the tactics used in the efforts to effect such a re-orientation of policy.

Respectfully yours,



Joseph C. Grew.

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GDA:C

Copy to Embassy, Peiping;
" " " Moscow.

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

DEPARTMENT OF STATE

~~MSM~~
~~JCV~~
~~DDP~~

DIVISION OF FAR EASTERN AFFAIRS

April 14, 1937.

Significant passages of the following despatches and their enclosures have been marked for possible reference:

- (1) Peiping Embassy's despatch No. 1078, March 3, 1937, "Policies of the National Government towards Japan and Chinese communist forces: statements relating thereto."
- (2) Peiping Embassy's despatch No. 1089, March 5, 1937, "Dr. C.T. Wang's and the Soviet Military Attaché's Views on Reconciliation with the Communists."

Despatch No. 1078 speculates on whether the recent Sian affair and the Third Plenary Session of the Central Executive Committee of the Kuomintang will bring about changes in the policies of the National Government toward Japan and toward China's communist forces. The Embassy opines that there is at least a professed willingness on the part of the communists to give up communism in return for participation in the National Government, but draws attention to the communist demands, General Chiang Kai-shek's expressed opposition to communism, and the National ^{Government's} manifesto stating that the Government's cardinal policy shall be the eradication of communism.

Despatch No. 1089 shows that both Dr. C.T.

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DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

W/7 and the Soviet Military Attaché view with optimism the probability of a reconciliation between the communists and the National Government.

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



EMBASSY OF THE
UNITED STATES OF AMERICA

No. 1078

Peiping, March 3, 1937.

Subject: Policies of the National Government
toward Japan and Chinese communist
forces: statements relating thereto.

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DEPARTMENT OF STATE

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

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Sir:

I have the honor to report that the Sian af-
fair (December 12, 1936) and the Third Plenary Ses-
sion of the Central Executive Committee of the Kuo-
mintang (February 15-22) have augmented interest in
and speculation over possible changes in the poli-
cies of the National Government toward Japan and to-
ward China's communist forces. There are enclosed
copies of several expressions of views which have
been made recently in regard to these questions.
It is believed that they may throw some light on
the subject and may be of additional interest at
some future time when these policies have become

more

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

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more clarified to the observer than they are at present.

Although the policies of the National Government toward Japan and toward the communist forces have not outwardly altered in recent weeks, the seeds of change may have been sown by the Sian affair. Changes in these policies may even have been decided on during the Third Plenary Session, although it seems more likely that the National Government will continue along the lines of its already established policies; namely, (1) the settlement of Sino-Japanese problems by diplomatic means and (2) no compromise with the communist forces. If there is to be a change, the most probable appears to be an understanding between the National Government and the communist forces by which each agrees to refrain from using force against the other. There seems to be a possibility that the communists may eventually be eliminated through negotiation, as there is at least a professed willingness on the part of the communists to give up communism in return for participation in the National Government and other advantages. The policies of the National Government in this regard depend largely, however, upon the policies of Japan and of the communist forces; and these policies are subject to change.

The various statements, copies of which are enclosed, are discussed briefly in the following pages. Unfortunately an accurate comprehension of their true worth cannot be gained because it is impossible to determine what parts of them may be propaganda.

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1. Manifesto of the Third Plenary Session:

A manifesto was issued February 22 after the closing of the Third Plenary Session (reference Nanking's telegram No. 87, February 23, 2 p.m.). It reveals no change in the policies of the National Government toward Japan and the communist forces.

According to this manifesto, China's policy toward Japan continues to be the readjustment by peaceful means, as long as there is hope for peace, of Sino-Japanese relations on a basis of equality, reciprocity, and mutual respect of each other's territory so as to restore the administrative and territorial integrity of China.

Apparently internal unity is to be striven for through peaceful means, with the ambiguous exception that, in respect to the communist forces, "no matter what formula we may adopt our cardinal policy shall be to eradicate the communistic scourge". Although this seems to indicate an intention to prosecute the military campaign for the extermination of the communist forces in China, it is not actually so said. This ambiguity of phrasing appears to leave room for a solution of the communist problem through compromise.

The manifesto contains also comment on the economic policies of the National Government, given in part presumably to discredit communism as reference is made to "the nonsensical theory of class struggle", which is described as a disease. The claim is made that "the

so-called

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so-called disparity between the rich and the poor is really non-existent in China, the only difference being between those who are extremely poor and those who are a little better off".

2/ 2. Resolution on policy toward communist forces:

In a resolution adopted February 21 by the Third Plenary Session, it is stated that the four major conditions for a reconciliation between the National Government and the communist forces are (1) abolition of the communist army, (2) dissolution of the "Chinese Soviet Republic", (3) complete cessation of communist propaganda, and (4) cessation of class struggle.

It is possible that these four points, which seem to mean the complete cessation of all communist activities and propaganda and of all class struggle, may be the basis for a compromise without further warfare between the National Government and the communist forces. Some communists and their sympathizers have claimed that these proposals would be acceptable to them if certain concessions were made in return.

3/ 3. Communist Chou En-lai's press interview:

A basis for compromise was outlined on or about February 15 at Sian to a representative of the New York Times by the communist leader, Mr. Chou En-lai, the Chief of the Political Section of the Chinese Soviets. (The interview is enclosed under cover of despatch No. 664 of February 20, 1937, addressed to the Embassy by the Consulate General at Shanghai.)

Mr. Chou

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Mr. Chou is quoted as saying that the communists would cease all opposition to the National Government, cease confiscation of property, denounce the Soviet system of communism, occupy a special area under the authority of the National Government and under a democratic form of government which would include all classes, change the name of the Chinese communist army to the Chinese revolutionary army, and place the army under the direction of the National Government provided that the National Government accepts five counter proposals, which are (1) cessation of civil wars and unification of China to oppose Japan, (2) freedom of speech, press, and assembly, and the release of all political prisoners, (3) a national congress on a basis of representation which should include delegates of all parties, armies, unions, and professions, (4) immediate preparation of national defense, and (5) readjustment of the living conditions of the masses.

These five proposals are similar to the eight points which were presented to General Chiang Kai-shek during his detention at Sian (paragraph 4 of Embassy's telegram No. 627 of December 20, 1936, 5 p.m.) and which were allegedly accepted in part by him (page 7 of Embassy's despatch No. 998 of January 14.) According to the press, General Chiang stated vigorously at the Third Plenary Session that he had rejected these proposals.

If Mr. Chou's words mean what they appear on the surface to mean, then a liquidation of the communist

problem

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problem might possibly be achieved through compromise. These claims of the communists may be, however, a form of propaganda designed to obtain the support of non-communists for furthering subversive aims.

4/ 4. Telegram of the Central Committee of the Communist Party of China to the Third Plenary Session:

A copy of a telegram, bearing a date of February 10, 1937, allegedly sent by "the Central Committee of the Communist Party of China" to the Third Plenary Session of the Central Executive Committee of the Kuomintang was received by the Embassy on or about February 17, 1937. In this telegram the Central Committee outlines, much as Mr. Chou did, those reforms which the communists want, in return for which they seemingly promise to give up communism.

5/ 5. General Chiang Kai-shek's press interview:

Compromise would seem to be improbable, however, if the leaders of the National Government deal with the proposed reforms in the manner in which General Chiang Kai-shek dealt with three of them in a press interview granted on February 22 after the closing of the Third Plenary Session. General Chiang discussed the questions of freedom of speech, wider representation in government, and the freeing of political offenders. Communists could scarcely be satisfied with General Chiang's claims that local authorities are to blame for infringements of freedom of speech, that the Government is anxious to invite

leaders

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leaders of different fields "to take part in national salvation", and that "a policy of magnanimity" has been adopted. > In justice to General Chiang Kai-shek, however, it may be said that the press reputedly has been allowed a greater degree of freedom during recent months than previously and that there have been appointed recently to Government posts more non-Kuomintang men than formerly.

6-7/

6. Mrs. Chiang Kai-shek's radio broadcasts:

Mrs. Chiang Kai-shek made a speech in Chinese over the radio on February 19, the third anniversary of the inauguration of the New Life Movement, and in English on February 21 for re-broadcasting in the United States. The first exaggerated the importance of the New Life Movement in respect to China's problems and the second gave too enthusiastic a description not only of the effects of the New Life Movement but also of China's progress toward unity and in economic welfare.

8/

7. Proposal submitted to the Third Plenary Session under the signatures of Feng Yu-hsiang, Sun Fo, and others:

Several statements have appeared which are at variance with the apparent satisfaction with the present situation expressed in the manifesto and in the comments of General Chiang and Mrs. Chiang. A proposal was submitted to the Third Plenary Session, under the signatures of Mrs. Sun Yat-sen, General Feng Yu-hsiang,

Mr. Sun Fo,

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Mr. Sun Fo, and others, in which reference was made to recent appeals of communist leaders for joint resistance to Japan, followed by a request that there be discussion of the reestablishment of the three policies of Dr. Sun Yat-sen, the three policies being described as alliance with the Soviet Chinese Union, alliance with/communists, and help for the workers and peasants.


9/

8. Mrs. Sun Yat-sen's statement:

Mrs. Sun Yat-sen released a supplementary statement in which she urged in general the reforms desired by the communists, emphasizing preparation "to recover our lost territories" and the improvement of the lot of the people, two aims which appear to be mutually incompatible.

Respectfully yours,

For the Ambassador:


Frank P. Lockhart
Counselor of Embassy

Original and 4 copies to Department.
Copy to Embassy, Nanking.
Copy to Embassy, Tokyo.

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Enclosures:

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Enclosures:

1. Manifesto of Third Plenary Session, February 22.
2. Resolution adopted at Third Plenary Session, February 21.
3. Mr. Chou En-lai's interview, Sian, February 15.
4. Telegram to Third Plenary Session, February 10.
5. General Chiang Kai-shek's interview, February 22.
6. Mrs. Chiang Kai-shek's speech of February 19.
7. Mrs. Chiang Kai-shek's speech of February 21.
8. Proposal submitted to Third Plenary Session by Feng Yu-hsiang, Sun Fo, and others.
9. Mrs. Sun Yat-sen's statement.

KUOMIN TANG POLICIES

Manifesto by Third Plenary Session

COMMUNIST HELP REPUDIATED

Central News Agency

NANKING, February 22.—Immediately after the closing ceremony of the Third Plenary Session of the C.E.C., which was held this morning, a manifesto was issued, a free translation of which reads as follows:—

At its Second Plenary Session on July 10 last the Central Executive Committee, in view of the increasing seriousness of internal unrest and external aggression then confronting our country, resolved jointly to save the situation by solemnly declaring its determination to preserve China's territorial integrity on the one hand and to effect national unification through pacific methods on the other.

Looking Backward

Since the adjournment of the Second Plenary Session seven months ago, the Central authorities have been working unceasingly toward this goal. At this moment we are gathered together again to review past achievement, examine the present situation and decide on policies for the future. After careful deliberation on the nation's major domestic and foreign issues we have cautiously reached several decisions on the major points of which we wish to inform our fellow-workers and the people.

In his Doctrine of Nationalism, Dr. Sun Yat-sen, clearly told us the causes of our national difficulties. He also pointed out the way to self-salvation and self-strengthening. Since September 18, 1931, amidst most trying experiences, we have adhered to our Leader's bequeathed teachings in an attempt to find a way out for the nation.

In the manifesto of the Fifth National Congress of the Kuomin Tang in November 1935, it was clearly stated that:

In face of such grave national crisis we must handle the situation by following the Tsungli's teachings that a determined man can overcome nature and that through self-reliance one exists and dependent on others one perishes. We must exercise greatest patience and determination to safeguard the nation's existence and its road to recovery. We shall not forsake peace until there is no hope for peace. If our country is driven to the last extremity thus making sacrifice inevitable we shall be determined to make sacrifice. Meanwhile we shall exert our greatest efforts for peace with the hope that our sincerity and determination will help to usher in better turn in the situation and enable us to achieve our goal of self-reliance and self-preservation. Thus we may be able to cooperate with other members of the family of nations in working for universal brotherhood.

This idea was expounded by the Second Plenary Session which in its declaration laid down the following explanation:

Since our nation is confronted with such a critical situation we shall practise greatest forbearance in domestic issues in order to achieve internal solidarity. In our external relations we shall not tolerate any aggression against our territorial sovereignty. Nor shall we sign any agreement detrimental to China's territorial sovereignty. Should any act of aggression against Chinese territory arise, should any political means fail to frustrate such act and should fundamental existence of the nation be endangered we should be ready to make our last sacrifice without the last hesitation.

Since the Second Plenary Session last July the Government has followed this policy in conducting diplomatic negotiations with Japan. During the last few months, despite the fact that negotiations were on the verge of breakdown on several occasions, the Government stood firm on this policy.

When the bandits and irregular troops invaded Suiyuan, the Govern-

ment must seek the realization of as soon as possible.

As to China's relations with other nations we shall naturally proceed along the path of world peace and work for the enhancement of international friendship. Regarding matters of political accord and economic cooperation, we shall work under the principle of reciprocity for closer relationship. This has been our attitude during recent years. It is also the essence of the principle of nationalism. We shall strictly adhere to it.

Internal Unity Pursued

Domestically, the achievement of internal unity through peaceful means has been the guiding principle of the whole nation throughout recent years. Only through unity can China become a modern nation equal to the task of saving herself. Only through peace can there be genuine solidarity.

However, there is one point that we must emphasize, i. e., the difference between unity through peace and cessation of civil war. The immediate object of the former is to concentrate the entire national strength on tiding over the present national crisis. The ultimate aim is to enable the nation to set out on the road to democracy.

In view of the one-ness of the state, it is clear that the governing power is an indivisible entity, especially in military affairs, diplomacy, finance and communications. Matters of national defence have to be controlled and directed by the national Government because the existence of independent military units would only result in an inferior organization.

Again, in view of the one-ness of the nation, we know that as citizens of China we shall share each other's joy and sorrow. Even when there are differences between individuals and organizations because of differences of their occupations, the interest of the nation as a whole must be over and above the interests of individuals and organizations.

At the present moment, especially, when the country is faced with a serious foreign menace and when the nation's fate hangs in balance we must not be misled by fallacious talks of class struggle which will only destroy our unity.

These two points are in fact the essence of our stand for unity through peace. Cessation of civil war means that any difference of opinion which may arise from within must be settled by discussion and not by force. It does not mean that any attempt to split the state can be perpetrated under the cloak of cessation of civil war.

Since last July the work of national unification has been proceeding smoothly and the traces of local semi-independence are gradually becoming a thing of the past. Henceforth we should shape our policy in accordance with the principle of unity through peace to meet the needs of national defence and to lay the foundation for lasting domestic tranquillity and order.

The Kuomin Tang handed down numerous decisions concerning the convocation of the People's National Assembly. The Fifth National Congress of the Kuomin Tang went a step further in deciding to hold the Assembly in 1936. It also ordered the proclamation of the Draft Constitution. In pursuance of these resolutions, the First Plenary Session fixed November 12, 1936, as the day for this Assembly. Special supervisory offices were established and necessary election regulations were adopted, with stipulations that everything must be ready by October, 1936. At the expiry of the time limit, however, the central authorities were compelled to postpone the Assembly on account of the failure of some localities to complete electing delegates. It was then decided that the Assembly should be convened as soon as delegates were legally elected.

Because of the importance of the Assembly the present Session decided that it should be held on November 12, 1937. The future efforts of the central authorities will, of course, be directed towards supervising responsible Government bodies in proceeding with the election according to prescribed laws, so that the National Assembly can be convened according to schedule and the Constitution be adopted. Then both the Government and the people will have a fundamental law to abide by.

Adoption of the Constitution will not only give concrete expression to the unity and solidarity of the people, but will also lay the foundation for the consummation of the principle of people's rights.

Economic Reconstruction

Completion of genuine unification of the nation must await the realization of economic unity. At this

Kuomin Tang Policies

(Concluded from Page 6)

All these are definite policies for China to follow in her economic reconstruction. China has become poor under the double impact of foreign encroachment and the backwardness of her people's productivity. Now if a class struggle should take place in China, externally speaking it would sap the nation's vitality to a point of national destruction whilst domestically speaking it would bring about one general struggle amongst various productive factors, thus hindering further progress in production and reconstruction. Its final outcome would be to reduce those who are not extremely poor to dire poverty and those already extremely poor to final destitution.

Clear proofs of the harmfulness of the class struggle have been afforded by the wanton destruction of property and by massacre of people in regions held by Communistic elements. Thus, when her fate is in balance, China finds it necessary not only to strengthen her national defences but also to launch a punitive campaign against the bandits. During these campaigns, in addition to military movements and political devices, the Government has also found it imperative to direct its efforts toward improving the lot of the peasants.

Towards this end, numerous exorbitant and miscellaneous taxes have been abolished, thus mitigating the peasants' hardship, and many agricultural institutes have been established to help the peasants to improve their farming technique. Special bodies have been set up to facilitate transportation and distribution of farm products, farmers' banks and cooperative societies have been organized to bring financial facilities to the farmers; and various conservancy and afforestation projects have been launched to forestall national calamities.

All these measures have as their common purpose the augmentation of the farmers' productive power, which is a prerequisite to the principle that the one who tills the land should also own it. Otherwise under the present conditions of production, the farmers are having difficulties in making both ends meet. Even if they were given land it would soon be mortgaged, and they would again go back to their original status as tenants.

Most of the wanton destruction wrought by Communistic elements during the last few years was in farming villages

bers of society would be wiped out of existence.

Take the native capitalists for instance. They have been struggling during the last few decades at great odds against foreign capitalists, who are superior both in financial resources and in technical proficiency. They have to resort to most economical methods in order to remain solvent. Often they have had to spend much of their time trying to obtain loans with which to keep their factories going. Once they fail they have to declare themselves bankrupt and their works have to be closed.

There have been many cases like this. The fighting spirit of the Chinese capitalists and their hardships have aroused the sympathy of many who are familiar with their difficulties. How could one be so heartless as to seek their downfall? For this would be tantamount to nipping all new and infant industries in the country in the bud and at the same time it would spell a similar fate for the workers.

For the sake of the future of economic reconstruction in China, all native industries must be duly protected, and even when government control is imperative such control will only be instituted for their existence and their development.

Employment of State Capital

As to other industries, which operate on a large scale, or those which because of their very nature can be best run by the Government or others which are beyond the capacities of private capital to undertake, then the Government should take necessary steps to develop state capital so that it can adequately fulfil its responsibilities to the nation.

Currency Reform and financial stability, effected since the Second Plenary Session, have already proved their benefit to the economic reconstruction movement. The present session should seek its further development with the greatest determination and the best possible efforts.

All measures to be decided upon must meet the requirements of national defence, and the people's livelihood. In particular these measures must adhere to the principles enunciated in the Principle of the People's Livelihood. The purpose is to achieve mutuality in interests and well balanced development, so that the idea of 'Of the people, for the people and by the people' can be realized.

The foolish theory of the

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

relations we shall not tolerate any aggression against our territorial sovereignty. Nor shall we sign any agreement detrimental to China's territorial sovereignty. Should any act of aggression against Chinese territory arise, should any political means fail to frustrate such act and should fundamental existence of the nation be endangered we should be ready to make our last sacrifice without the last hesitation.

Since the Second Plenary Session last July the Government has followed this policy in conducting diplomatic negotiations with Japan. During the last few months, despite the fact that negotiations were on the verge of breakdown on several occasions, the Government stood firm on this policy.

When the bandits and irregular troops invaded Suiyuan the Government rallied the strength of the whole nation to defend that province and repulse the invaders. Although the leaders of the Sian crisis championed certain slogans in the hope of deceiving the people, the latter turned a deaf ear to their propaganda. This was because the people have realized, after much painful experience during the past few years, the principles our party stands for and have seen the necessity of sticking together in order to save the nation.

Foreign Policy Unchanged

The present session sees no need for revising our foreign policy. Not only so, but the Government should continue to exert its best efforts for its execution. For our consistent aim is to strive for self-preservation internally and coexistence externally. Even when we are driven to armed resistance because our rights are intolerably violated, we shall only fight out of self-defence and not of anti-foreignism.

Consequently there is no conflict between our determination to make even the last sacrifice and our desire for peace. If there is still hope for peace we shall still be willing to continue our efforts in working for a preliminary readjustment of Sino-Japanese relations on the basis of equality, reciprocity and mutual respect of each other's territorial integrity so as to deprive the bandits and puppets of their present reliance on external force and restore administrative and territorial integrity to China.

Thus even if not all pending issues are solved it will at least bring into use the spirit of settling international disputes by peaceful means. This is one matter which

sense of our state peace. Cessation of that any difference of opinion which may arise from within must be settled by discussion and not by force. It does not mean that any attempt to split the state can be perpetrated under the cloak of cessation of civil war.

Since last July the work of national unification has been proceeding smoothly and the traces of local semi-independence are gradually becoming a thing of the past. Henceforth we should shape our policy in accordance with the principle of unity through peace to meet the needs of national defence and to lay the foundation for lasting domestic tranquillity and order.

The Communist Problem

As to Communistic elements, although they have recently raised the slogan of 'joint defence against foreign aggression' past experience shows us that since 1924, when they were admitted into the Kuomin Tang to participate in the Revolution, they have been working subversively against it rather than for it.

Beginning from 1927 they have been employing terroristic methods to endanger the safety of the Republic, thus undermining the strength of the nation, which would otherwise be employed in resisting foreign aggression. They have also caused untold losses of lives and property to the people.

Because of their innumerable crimes it is impossible to take their word at its face value. The Kuomin Tang, ever with the welfare of the country and people at heart, shall see to it that sacrifices made during the bandit suppression campaign in the last few years shall not have been made in vain.

No matter what formula we may adopt our cardinal policy shall be to eradicate the Communist scourge and to lay the foundation for national rejuvenation by our own efforts.

Organization and training of the masses, so that they can take part in the stupendous task of national reconstruction, is the duty that lies with the Kuomin Tang. Since the outbreak of the existing crisis, the Kuomin Tang has not shirked its responsibilities. To enlist the support of the nation it has championed the policy of 'Meet the national crisis with National Solidarity'.

The People's Assembly

At various important gatherings

responsible Government bodies in proceeding with the election according to prescribed laws, so that the National Assembly can be convened according to schedule and the Constitution be adopted. Then both the Government and the people will have a fundamental law to abide by.

Adoption of the Constitution will not only give concrete expression to the unity and solidarity of the people, but will also lay the foundation for the consummation of the principle of people's rights.

Economic Reconstruction

Completion of genuine unification of the nation must await the realization of economic unity. At this juncture, when the nation is devoting its whole energy to the task of national salvation, enhanced national vitality necessarily depends on strengthening the people's economic power. Economic reconstruction is an important and a pressing task, and the unfolding of its programme must be based on Dr. Sun Yat-sen's principle of the People's Livelihood. Marxist theories came from social pathologists and not from social physiologists.

In this connexion it must be emphasized that social progress is made possible only by harmony of the majority of economic interests and not from conflicting interests.

Domestic Economic Problems

Class struggle is a disease which may occur during the process of social progress. However, it is a preventable disease. We need not wait for its outbreak. In view of her present position, China must seek to solve her economic problems realistically and not by high-sounding phrases and empty theories. One noticeable fact about China today is the prevalence of poverty. The so-called disparity between the rich and poor is really non-existent in China, the only difference being between those who are extremely poor and those who are a little better off. With a view to preventing future troubles, the solution of China's economic problems should be sought in the equalization of land and restriction of private capital.

To increase the productivity of her people, China should seek to develop state capital and at the same time give due protection to private capital.

(Concluded on Page 12)

mentation of the farmers' productive power, which is a prerequisite to the principle that the one who till the land should also own it. Otherwise under the present conditions of production, the farmers are having difficulties in making both ends meet. Even if they were given land it would soon be mortgaged, and they would again go back to their original status as tenants.

Most of the wanton destruction wrought by Communistic elements during the last few years was in farming villages. Not only has farming industry been annihilated but similar disaster has visited native handicrafts.

Even light industry factories in Shanghai, which represent practically the only fruit of decades of effort on the part of native industrialists, have not been immune from the influence of Communists who, by means of subversive propaganda and secret organization, have intensified the class struggle spirit amongst the workers. Thus great harm has already been done.

Dr. Sun well said that the surplus value of any industrial enterprise was not created by the labour or workmen alone. Rather it is the fruit to which all useful and capable members of society make their contribution either directly or indirectly. These useful and capable persons constitute the majority of the people.

Dr. Sun's views have been made unmistakably clear. If the spirit of the class struggle should be injected into the workers it would be necessary to antagonize all others except the workmen themselves. Then these useful and capable mem-

ber's greatest determination and the best possible efforts.

All measures to be decided upon must meet the requirements of national defence, and the people's livelihood. In particular these measures must adhere to the principles enunciated in the Principle of the People's Livelihood. The purpose is to achieve mutuality in interests and well balanced development, so that the idea of 'Of the people, for the people and by the people' can be realized.

The foolish theory of the class struggle can never be tolerated because it would lead to social chaos. At the same time no great disparity between the rich and poor should ever be allowed because it would result in future complications and difficulties. On this major principle depends the completion of our present task of saving the nation. It is also the starting point for the realization of the Principle of the People's Livelihood.

The above-mentioned points represent the decisions of the Plenary Session. Without these policies the current national crisis cannot be overcome. Similarly, without them it will be impossible to carry out Dr. Sun's Three People's Principles.

Regarding other projects for the consolidation of the national foundation and the improvement of the people's livelihood handed down by the Fifth National Congress of the Kuomin Tang and the First and Second Plenary Sessions, they will be continued.

It is hoped that all comrades, realizing the nation's difficulties and heavy responsibilities and the mission of our Party, will put their whole heart and soul into their work, so that our Departed Leader may continue to rest in peace.

ON THE AIR
 RADIO STATION
 X G O M
 1900 Kilocycles

Widow of Lenin

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PEKING & TIENTSIN TIMES, TUESDAY, FEBRUARY 23, 1937.

Nanking, Feb. 21.

The conference of the Central Executive Council to-day passed a resolution to continue the anti-Communist campaign, but agreeing to reconciliation on terms tantamount to a complete surrender of the Communist armies, dissolution of the so-called Chinese Soviet Republic and cessation of Communist propaganda.—*Reuter*.

Nanking, Feb. 21.

No reconciliation is possible with the Communist bandits until and unless they sincerely repent of their past mistakes, observe the Three People's Principles, abide by the nation's laws and make themselves amenable to the military discipline of the Chinese Army and behave as good citizens of the Republic.—this was one of the important resolutions reached by the plenary session of the Central Executive Committee at its sixth general meeting this afternoon.

Meanwhile, the plenary session also laid down four major conditions for such a reconciliation. They are:

(1) Abolition of the Chinese "Red" Army, and unification of the command of the nation's armed forces;

(2) Unification of the governing power in the hands of the Central Government and dissolution of the so-called "Chinese Soviet Republic" and other organizations detrimental to governmental unity;

(3) Complete cessation of Communistic propaganda which is diametrically opposed to the Three People's Principles; and

(4) Halting the class struggle which splits society into antagonistic groups.

The resolution began with an historical account of the activities which had been carried on by the Communists.

When the Communists were individually admitted by Dr. Sun Yat-sen into the Kuomintang in 1924, it stated, they promised to work for the cause of the Revolution, but they failed to keep their word. Working secretly, they soon set out to create imaginary camps within the Party. They then followed it up with actual attempts to split up the Kuomintang.

At the beginning the Party was lenient and tolerant towards them, hoping that they would soon wake up and realize their mistake. Following the taking of Hangchow and Changsha by Nationalist forces in 1926 and the later occupation of the Wuhan area, the Communistic elements tried to sever the ties between the Kuomintang and the masses.

Alongside with these subversive activities, they propagated Red theories and worked for the downfall of the revolutionary and national construction movement of the Kuomintang. They also tried their best to hinder the eastward advance of the Nationalist forces to Shanghai and Nanking as well as their northward march to Chengchow and Loyang.

They were also responsible for the reign of terror in Hunan and Hupeh. Then they committed the unforgivable crime of dividing Nanking and Hankow,

creating disturbances in the various provinces, Kiangsi, Kwangtung, Fukien, Chekiang, Hunan, Hupeh, on the other.

Having the safety of the people in view, the Central Government found it necessary to seek the annihilation of the Communist bandits by armed forces. Mainly due to the heroism of the Government troops, the Reds were up-rooted from their strongholds. Thus peace and order were restored in the regions where for years they had been holding sway.

Since the general collapse of their influence in Kiangsi, in 1935, the Red bandits have fled from Hunan, Kweichow and Yunnan to Szechwan, Kansu, Shensi, Ninghsia and Shansi. They not only threatened and terrorized the local populace, but also slaughtered them ruthlessly.

These facts need no substantiation. However, what caused most consternation to the people was the dastardly move they made in 1931 when China was in the throes of a grave national crisis, and the entire country under the leadership of the Central Government was striving to combine their resources and energies for national defence and economic reconstruction.

Taking advantage of the opportunity afforded them when the attention of the Government was focused on external aggression, the Reds attacked Kangchow, Kiangsi, during the undeclared Shanghai War. Later when the nation was upset by the hostilities raging along the Great Wall in 1933, they swept down upon Fuchow and almost reached Nanchang, the provincial capital of Kiangsi. Thus in every way they tried to check the Government's efforts to defend the country.

The activities of the Communists in weakening the defence of the nation and sapping the vitality of the people each surpassed the other in point of ruthlessness and thoroughness. It is no accident that there should be such nation-wide wrath against the Communist bandits.

Now that they are driven to the north-western corner of the country where livelihood is difficult and where food is scarce, the Reds have begun to circulate reports concerning their alleged willingness to surrender.

The Kuomintang is not disposed to deprive any one of a chance to reform and commence life anew. However, in view of their past deceitfulness and the result of its former leniency of the Party, the Kuomintang does not wish to repeat the same blunder again.

The above-mentioned four points are the minimum conditions which the Communists will have to accept before the Government will consider a change in its present anti-Communist policy.

In conclusion, the resolution declared that no nation on earth can tolerate the existence within its territory of an organization which is detrimental to the interests of the State and its people.

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sive activities, they propagated Red theories and worked for the downfall of the revolutionary and national construction movement of the Kuomintang. They also tried their best to hinder the eastward advance of the Nationalist forces to Shanghai and Nanking as well as their northward march to Chengchow and Loyang. They were also responsible for the reign of terror in Hunan and Hupeh. Then they committed the unforgiveable crime of dividing Nanking and Hankow. Because of the anti-revolutionary activities of the Reds the Northern Expedition almost came to a standstill. Later they openly organized the Chinese Red Army and demoralized the basic structure of the Kuomintang. They instigated class warfare in the hope of seizing the reins of government.

not wish to repeat the same blunder again. The above-mentioned four points are the minimum conditions which the Communists will have to accept before the Government will consider a change in its present anti-Communist policy. In conclusion, the resolution declared that no nation on earth can tolerate the existence within its territory of an organization which is detrimental to the interests of the State and its people and which depends on external help to carry on its activities. For the preservation of the past glory of the Republic and the consummation of the Three People's Principles, the Red scourge must be annihilated root and branch.—*Central News.*

In order to consolidate the foundation of the Party, in order to carry the Northern Expedition to a successful conclusion, and in order to save the people from suffering, the Kuomintang reached the momentous decision of purging its rank and file of Communistic elements.

After that, for more than ten years, the Communists continued their propaganda among the youths on the one hand and

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American Consulate General
Shanghai, China

February 20, 1957

Subject: Billingham's Interview
with Chou En-lai.

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Beiping.

ir;

I have the honor to enclose herewith as of possible
1/ interest to the Embassy a copy of a press despatch from
the local correspondent of THE NEW YORK TIMES which
contains the substance of an interview between Mr. Anthony
Billingham of that newspaper and Mr. Chou En-lai, chief
of the political section of the Chinese Soviets, which
took place in Pian about four days ago. Mr. Billingham
returned from Pian to Shanghai yesterday.

It will be noted that this news despatch purports
to give the terms under which the Chinese Soviets are
willing to cooperate with the Nanking Government, but,
contrary to press reports, indicates that the Chinese
Soviets have no intention of abandoning their funda-
mental Communistic beliefs.

The substance of the above despatch is believed
to be of particular interest in view of the fact that
recent reports from Nanking indicate that the Nanking

Government

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Government is prepared, under certain conditions, to arrive at a compromise with the Chinese Soviets and suspend the costly Communist suppression campaign. If such an agreement is arrived at, it is to be expected that the terms thereof will represent a modification of Communist proposals which will be carried out in slow stages so as not unduly to exacerbate Sino-Japanese relations.

Respectfully yours,

C. L. Gauss,
American Consul General.

Enclosure:

1/- Copy of Mr. Billingham's despatch
to THE NEW YORK TIMES dated
February 19, 1937.

800
EFL:MMH

In duplicate
Copy to Embassy, Hankow
Copy to Consulate General, Hankow

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

Enclosure No. 1 to despatch No. 661 from U. S. Consul,
 American Consul General at Shanghai, China, dated
 February 20, 1937, on the subject "Billingham's inter-
 view with Zhou N-lai."

ends by Billingham. I am dateline stop communist
 leaders China's northwest didn't expect public discussion
 their proposals settlement China's domestic problem
 strengthening foreign policy during plenary sessions
 Quanzheng at Hankin but they convinced there'll be no
 more war this region stop quote our proposals were
 come over in private during Hankin sessions you may be
 sure unquote declared Chouenlai Vicechairman Chinese
 Soviet Government during interview here in I am stop
 Chouenlai who heads communist political department
 is as famous amongst Chinese Reds as Chiangkaishhek is
 at Hankin and is second in authority communist circles
 only to General Neoteetung commander chief red armies
 stop Chouenlai saw writer shortly before his departure
 exiled bound for Yenanfu town in Northern Shensi which
 presently capital communist government stop Chouenlai
 been in I am several days conferring with high officials
 upon measures essential continue peace northwest and
 his presence here carefully guarded secret stop quote
 in first place communists ask democratic form govern-
 ment be established China and that government base its
 foreign policy upon development friendlier relations
 with America Britain and all nonfascist nations unquote
 Chouenlai said during course long interview clarifying
 communist attitude for Nyktimes stop quote we made
 five specific proposals to Hankin government first
 cessation all kinds civil wars and uniting all Chinese
 to oppose Japan second freedom speech press assembly
 freeing all political prisoners third holding national
 congress along same lines government been proposing but
 with much wider basis representation including delegates
 all parties all armies trade unions industrial unions
 commercial unions associations men engaged various
 professions fourth immediate preparations all lines
 national defence in which connection communists outpoint
 hundreds millions been spent upon civil wars which money
 should have been spent resisting Japan stop we say if this
 proposal accepted Japan be afraid fight united China
 therefore war more probably unnecessary fifth we demand
 immediate readjustment living conditions masses Chinese
 people unquote stop upon acceptance foregoing proposals
 Chouenlai said Chinese communists ready make following
 three promises first cease all opposition Hankin govern-
 ment second cease confiscation lands properties landlords
 and wealthy persons third promise denunciation soviet
 system communism and arrangement special area or region
 admitting authority Hankin stop quote in this region
 unquote Chouenlai explained quote we will establish
 truly democratic form government with all people voting
 instead restricting vote only peasants and workers as
 obtains under soviet system stop furthermore we promise

chance

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change name Chinese red army hereafter call it Chinese revolutionary army stop we intend retain present officers and continue military system presently enforced but will have army under direction Peking military affairs commission stop this army be subject most regulations governing Peking forces but must supported by Peking on same scale as other forces Chinese government unquote stop asked what he believed Chinese government's reactions these proposals and demands would be Zhou laughed said quote Peking will follow middle path stop unquote pressed clarification meaning Zhou explained that Peking would finally agree to sufficient these communist terms that reds paraiso seeking middle ground could come terms with central government stop quote for communism is strongly situated unquote Zhou outpointed quote much stronger than generally believed stop unquote Chouenlai revealed that communist armies presently occupying practically northern half Chensi exceed hundred thousand men well trained well equipped stop additionally communist forces hold entire narrow portion western panhandle Kansu province and considerable area Ninghsia adjoining panhandle upon northeast stop additionally small scattered forces armed reds varying one to six thousand still maintain organizations intact widely scattered areas which maintain wireless communication with Yananfu government stop these areas are first mountainous region Kwangtung Fukien border second southern Hunan Hiangsi border third northern Fukien southern Chekiang border fourth western Anhwei southeastern Honan border fifth southwestern Honan northern Upeh border sixth southern Chensi near town Ankang seventh extreme northern Chensi northward town Tulia stop conviction been growing in China recent months that Chinese communists no longer had any active connections Moscowward but when this matter broached Chouenlai smilingly said quote we now excellent contacts outer Mongolia unquote stop this probably explains why communist armies evidently amply supplied money arms munitions stop Ian Marchants reveal that large orders constantly received armed forces these orders always calling for best grades all goods supplied bills always promptly met cash payments stop for three hours Chouenlai talked about past communist struggles in China during which he said sadly quote we lost too many men unquote stop he talked of misrepresentation Chinese communist party during past and said quote China has now opened door to communists it cannot be closed stop unquote dusk was making smokey outlines of China's great centuries old wall as Chouenlai prepared depart although snowcapped mountains in distance were still crowned setting sun stop quote though we are ready somewhat change our policy we will never change name our party nor ever alter our fundamental aims we carry these purposes our minds our hearts stop these great forces sustained our ten years struggle with

central

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central armies kept us going when our men died by
thousands stop we probably never achieve our aims
within my lifetime but we will win unquote end

Hallett Abend

Feb. 19th. '37 card 261

Copied by HMA
Compared with MB

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Enclosure No. 4
Despatch No. 1078

(CORRECT COPY - SC)

Telegram from the Central Committee of the Communist Party of China to the Third Plenary Session of the Central Kuomintang.

Gentlemen of the Third Plenary Session of the Chinese Kuomintang:

The peaceful settlement of the Sian problem is welcomed by the whole of China. Henceforth the goal of peaceful unification of the country and solidarity in the struggle against the aggressor will be realized. This is really for the good of both the country and the nation. Now when the Japanese robbers have become more vicious and maniacal, and the fate of the Chinese nation hangs by a thread, our Party sincerely hopes that the Third Plenum of your Party, bearing in mind the above-mentioned goal, will adopt the following points as a national policy.

1. Cessation of all internecine war and the concentration of all the nation's strength for a united struggle against the aggressor.
2. Freedom of speech, press, assembly, and organization, and the release of all political prisoners.
3. To call and convene a delegates' conference of all Parties, groups, and men of all walks of life, and all armed forces, and thus concentrate the best abilities of the nation in a joint effort to save the country.
4. To complete within the shortest possible time all preparations for war against Japan.
5. To improve the livelihood of the people.

If the Third Plenum of your Party will courageously and decisively accept the above-mentioned policy, our Party, in order to express our sincerity and solidarity in struggle against the aggressor, will give the Third Plenum of our Party the following guarantees:

1. To stop, on a national scale, the policy of armed uprisings toward the overthrow of the National Government.
2. To change the name of our Soviet Government into a Special Administrative District Government of the Chinese Republic, and to change the name of the Red Army to National Revolutionary Army under the direction of the Central Government and the Military Council in Nanking.
3. Within this Special Administrative Area, to carry out universal suffrage and the complete democratic system.

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4. To stop the policy of the confiscation of the land of landlords, and to decisively carry out the common program of the anti-Japanese united national front.

Now the national crisis is deepening and there is no time to waste. The unlimited sincerity and loyalty of our Party toward the nation is known to all men. You gentlemen, zealous and enthusiastic for the nation's welfare, will certainly accept the proposals of our Party so that the united front for the defence and liberation of the whole nation may henceforth be realized. We all are descendants of Hwang Ti, we all are sons and daughters of the Chinese nation, and in face of the national crisis, it is only by giving up all prejudices, and by unlimited cooperation, that we can surge forward to a great future -- the final liberation of the Chinese nation. With this we lay our telegram before you and await your enlightened reply.

With national revolutionary salutations!

CENTRAL COMMITTEE OF THE
COMMUNIST PARTY OF CHINA

February 10, 1937.

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THE PEIPING CHRONICLE Wednesday, February 24, 1937.

CHIANG OUTLINES POLICY OF NATIONAL GOVERNMENT IN IMPORTANT STATEMENT

SETS FORTH ATTITUDE OF GOVERNMENT
TOWARDS FREEDOM OF PRESS,
CONCENTRATION OF TALENT AND
RELEASE OF POLITICAL PRISONERS;
REJECTS IDEA OF POPULAR FRONT

Political Prisoners, Including Communists,
• To be Liberated Provided They show
Sincere Repentance

Central News Agency

NANKING, February 23.—The National Government's future policy regarding freedom of speech, concentration of the nation's talents and the liberation of political offenders was the subject of an interview granted by Marshal Chiang Kai-shek to a representative of the Central News Agency at the Central Party Headquarters immediately after the adjournment of the sixth business meeting of the Third Plenary Session of the C.E.C. on Sunday.

Referring to the question of freedom of speech, Marshal Chiang said that this was included in many proposals submitted to the session. As the issue is attracting the attention of the press throughout the country, the National Government is paying consideration to the matter.

No Interference with Press

But, Marshal Chiang pointed out, the National Government has not interfered with freedom of speech in the past. With the exception of stipulations in the Criminal Code and the Press Law the National Government only bans the publication of printed matter that comes under the following categories:

- (1) Editorial opinions and news that may be construed as propagating Communist doctrine endangering the safety of the Republic and disturbing local peace and order.
- (2) News regarding military and diplomatic secrets.
- (3) Unfounded rumours.

Whilst the National Government hopes that the whole nation will respect legitimate speech, continued Marshal Chiang, the vastness of the country has made it sometimes impossible for the local authorities to take unified steps in enforcing the ruling.

Often, he added, news which was sanctioned or issued by the National Government was censored by the local authorities. This has caused unfavourable comment in Chinese press circles.

Upholds Freedom of Press

"It should be remembered that the Central Government upholds freedom of speech and does not intend to impose undue restrictions upon the press", he declared. "It will henceforth, in pursuance of this policy, improve its measures for the supervision of

under the National Government, Marshal Chiang stated that this subject has engaged the attention of the various circles and that it was brought up for discussion during the session.

As a matter of fact, he said, this is precisely what the National Government has been doing in recent years. The National Government, he asserted, not only desires to make use of all available talent, but is also anxious to invite the leaders of different sections of society to take part in the task of national salvation.

Nevertheless, Marshal Chiang made it clear that this could not be interpreted as supporting the so-called "People's Front" as advocated by the Communists, for if no discrimination were made opportunists and dissensionists would gather under the common banner to work for their own political ascendancy.

Experts Needed

What the National Government wants, said Marshal Chiang, was men who were experts in cultural and economic reconstruction and not intriguing persons and professional politicians.

As the Third Plenary Session has passed several resolutions relating to economic reconstruction the execution of these projects will undoubtedly require the service of numerous experts, Marshal Chiang pointed out.

As to political matters, Marshal Chiang stated that the Government had during the last ten years invited innumerable non-Kuomin Tang members to join the Government. As a matter of fact the Government made no discrimination, still less any exclusion, against any party that existed prior to 1924.

What is more, the Central Government has been consulting expert opinion, patriotic intelligentsia and university professors on affairs affecting national education, culture, politics and economy.

Declaring that the Central Government will continue to adhere to this consistent policy, Marshal Chiang said that further efforts would be made to bring in real patriots, who cherished the same hopes as those of the national authorities and were ready to serve the country.

Release of Political Prisoners

Coming to the question of granting pardons to political offenders, Marshal Chiang said that the National Government, in face of the present critical situation and the pressing need for national reconstruction, had

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sored by the local authorities. This has caused unfavourable comment in Chinese press circles.

Upholds Freedom of Press

"It should be remembered that the Central Government upholds freedom of speech and does not intend to impose undue restrictions upon the press", he declared. "It will henceforth, in pursuance of this policy, improve its measures for the supervision of newspapers and periodicals. It will furthermore assist the development of the Chinese press so that it may, without betraying national interest, contribute its share."

As the local authorities have voiced a similar desire, Marshal Chiang hoped that they would no longer censor news which was approved by the National Government so that news of the nation may be published in all localities and a unified public opinion may thus be fostered.

With regard to the question of rallying the nation's talents
 (Continued on Page 12 Col. 1)

in real patriots, who cherished the same hopes as those of the national authorities and were ready to serve the country.

Release of Political Prisoners

Coming to the question of granting pardons to political offenders, Marshal Chiang said that the National Government, in face of the present critical situation and the pressing need for national reconstruction, had adopted the policy of magnanimity in the hope of achieving internal peace and stability.

He pointed out that precedents had been set whereby political offenders were set free by the Central Government. As the term "political offenders", according to Marshal Chiang, now means Communists and reactionaries, new regulations have been framed, the observance of which may enable them to start life anew. Pardons, he said, can only be granted to those who are sincere in their repentance. An indiscriminate and wholesale pardon of political offenders will not be enforced by the Central Government, as that would be contradictory to the laws of the state and prejudicial to social stability.

Concluding, Marshal Chiang said that hereafter a frank and sincere attitude must be taken by the Chinese people so that the nation's will and strength might be concentrated on the task of national salvation.

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THE PEIPING CHRONICLE Sunday, February 21, 1937.

Mme. Chiang tells of Achievements Of New Life Movement in 3 Years

Social Revolution calls for Co-operation of Every Intelligent Man and Woman in China

Central News-Agency

NANKING, February 19.—The following is the text of a radio broadcast delivered by Madame Chiang Kai-shek, first lady of the land, at 9.10 o'clock this evening on the third anniversary of the New Life Movement:

"The New Life Movement was inaugurated three years ago to quicken and to deepen the work of reconstruction. Since then the nation has progressed farther than we had dared to hope, giving us all a new faith in the future of our race. After three years of experience we are still more than even convinced that the most vital force in the reconstruction of our nation is the spiritual life of the people.

Long and Difficult Task

"It has been a long and difficult task and one that has required the coöperation of all the leaders of the nation to unite China's scattered troops into one strong National Army. It has not been easy to improve communications, build model cities and set forces in motion that will eventually improve the living condition of farmers and workers. Yet, in the long run, these are the outward signs of a new controlling principle, a new law of life which we are slowly learning to follow.

"This energy and courage, animating our people and sometimes referred to as the national renaissance, has been at work in China for two decades. In a very real sense the New Life Movement is gather-

ing together spiritual forces that are partly indigenous and partly from abroad.

Winning People's Confidence

"The New Life Movement is slowly winning the confidence of the people for we are still very conservative and is fast becoming a centre where all agencies, both governmental and private, interested in the welfare of the people may find a common meeting ground.

"Heretofore various organizations shouldering the burden of building a new social order have not only been scattered but they have oftentimes been perplexed by what seems to be cross-currents within the life of the nation. The river of new life released three years ago in Nanchang is gradually gathering into one great flood all the currents of life and thought that go to unify and reconstruct the nation. New Life has become the symbol of unity and service.

Nation's Immediate Needs

"A year ago, on the occasion of the second anniversary of the New Life Movement, the Generalissimo emphasized three immediate needs of the nation: sincerity, efficiency and living the new life. During the year some mistakes may have been made but no one can question the sincerity of our national leaders. Most of them have been lending a hand as the nation emerges from the mediaeval into the modern world. Those who have failed us are those who have refused to pay the price of living the new life.

"On this our third anniversary it is fitting that we should review some of the accomplishments of the past and perhaps more important still, briefly outline the most pressing needs of the nation.

"1. First and foremost let us mention the need for unity and internal peace.

"The policy of the National Government is entirely one of harmonizing, composing and settling all differences through peaceful means thus preserving national resources and strengthening the faith of the people in the ability of the nation to weather every storm. The unification of the armies is not sufficient in itself, there must go with it that oneness of purpose and broadmindedness that enables men of all parties and of every faith to keep in step regardless of conditions and work together for the common welfare.

"Throughout the country there are still minor disturbances where hungry men masquerading as bandits take by force from their neighbours and from travellers what society should provide for them in some other way. Benjamin Franklin has well said 'Poverty deprives a man of all spirit and virtue: it is hard for an empty bag to stand upright'.

"Idleness, intemperance, extravagance and folly are not the only stones that have the road to poverty. Corruption, inefficiency, oppression, malnutrition and an unjust social order also help to depress the economic level. When the New Life Movement was inaugurated in Kiangsi, one of the first things it did was to establish welfare centres where the economic and social needs of the people might be studied and gradually relieved. Throughout the nation it will continue to focus attention upon the economic factors underlying the needs of the masses. Without this there can be no internal peace. Banditry and rebellion will cease only when the people have enough to eat.

Need for Education

"2. Next to the need for unity and internal peace I should place education.

"The growth of the modern school system throughout China is phenomenal. Everywhere we see the children with their school books coming and going. The fact remains, however, that

evening. In time, our educated people will catch this spirit of service and voluntarily do what they can in their immediate neighbourhood so that in a short time illiteracy will be greatly reduced. What the national and provincial governments are doing to meet this gigantic problem is very encouraging. But we wish to make this appeal to our educated people everywhere that they do not rely solely upon the governments but also carry some responsibility for those closest to themselves.

Mothering of Students

"I, myself, have found deep satisfaction in mothering a few hundred students in the school for the children of the revolution and I recommend this form of social service to my friends throughout China.

"We all know that we receive much valuable education outside of the school room. Last summer a student from a Shanghai college, visiting his home village in Kiangsu, discovered that a large percentage of the people were spending their leisure time gambling. Without discouraging on the evils of gambling he hastened back to Shanghai where he purchased and borrowed a few outdoor and indoor games including a small radio. He worked with the young men of the village in cleaning and whitewashing an old temple and in levelling a playing field. Within a few days he had games and competitions in progress for the younger members of the community and Victrola and radio entertainment for those who preferred to be less active. From his knowledge of the outside world and from newspapers and magazines he gave a series of evening lectures on subjects of interest and value to the community. When the time came for him to return to his studies at college the village school master had already taken charge of these activities and six months later, on this cold winter evening, they are doubtless still in progress.

"Through the social mindedness of the said college student in providing a village radio the people of his community have just heard the President of the New Life Movement speak to them. Almost any one of us can gather together a few friends interested in social service and through pooling resources can bring new life to many a community. Inciden-

This is not true of the New Life Movement, and from the bottom of my heart I hope it never will be true. You know as well as I do that the great failure of Democracy is that we rely too much upon a few chosen leaders. In Democratic China in many ways you are showing your appreciation of the nation's leaders and I take this opportunity of assuring you how deeply grateful we are in the national capital it makes us doubly sure of the solid foundation of the unity upon which we are building the nation.

"That brings me to the last and most important thing that I have to say to you this evening. This is something that the President of the New Life Movement has said over and over again to me and to you. 'New Life Movement is something we live, not something that we promote.' It is a quality of life within ourselves.

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out this there can be no internal peace. Banditry and rebellion will cease only when the people have enough to eat.

Need for Education

"2. Next to the need for unity and internal peace I should place education.

"The growth of the modern school system throughout China is phenomenal. Everywhere we see the children with their school books coming and going. The fact remains, however, that the vast majority of the people are not informed on many matters that concern their every day life and ignorance and superstition still influence them to an alarming extent. The New Life Movement last summer presented this challenging situation to the college students of East China and received a hearty response. College students, both men and women, spent time in their own or neighbouring villages teaching summer schools for both children and adults and holding a popular lecture course in the

large school master had already taken charge of these activities and six months later, on this cold winter evening, they are doubtless still in progress.

"Through the social mindedness of the said college student in providing a village radio the people of his community have just heard the President of the New Life Movement speak to them. Almost any one of us can gather together a few friends interested in social service and through pooling resources can bring new life to many a community. Incidentally in so doing you will find great joy and lasting satisfaction.

Call for Co-operation

"A group of well-equipped devoted national leaders, without your help, cannot bring new life to our nation. Such a social revolution calls for the co-operation of every intelligent man and woman throughout the country. Many a great movement has slowed down because it has failed to grip the imagination and enlist the enthusiasm of the rank and file.

tion of the nation's leaders and I take this opportunity of assuring you how deeply grateful we are in the national capital it makes us doubly sure of the solid foundation of the unity upon which we are building the nation.

"That brings me to the last and most important thing that I have to say to you this evening. This is something that the President of the New Life Movement has said over and over again to me and to you. 'New Life Movement is something we live, not something that we promote.' It is a quality of life within ourselves, a standard of values that influences our every thought and action. The greatest teacher that ever lived has told us that 'What goes on in a man's heart determines the quality of his life'. If the New Life implies a change of the heart then let us all make that change together on this day, the third anniversary of the great spiritual movement, a change of heart within each of us which will soon produce a new and prosperous nation that we all long to see."

YOU THE NEW
 FILM! TV
 VE ROM
 4 3, 5.30 & 9.15 P.M.

FROM

these two recommendations at
 carried out."
 "The Green Pastures",
 film which portrays the New
 conception of God, has been
 running at a London movie
 picture theatre.

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PEKING & TIENTSIN TIMES, TUESDAY, FEBRUARY 23, 1937.

MME. CHIANG SETS PRECEDENT.

FIRST CHINESE WOMAN TO BROADCAST TO AMERICA.

Describes New Life Movement's Work to Secure Unified China.

"SPIRITUAL LIFE-LINE FOR THE CHINESE PEOPLE."

Nanking, Feb. 21.

The New Life movement supplies the spiritual life-line for the Chinese people, said Madame Chiang Kai-shek in the course of her radio broadcast to the United States this morning.

Madame Chiang, who is the first Chinese woman to speak over the ether to America, dwelt on the forces working through the New Life movement for a genuine unification, educational and economic reconstruction and character building.—*Reuter*.

MME. CHIANG SPEAKS TO AMERICAN RADIO LISTENERS.

Nanking, Feb. 21.

The First Lady of the Land, Madame Chiang Kai-shek, wife of the President of the Executive Yuan, broadcast from her home here at 8 o'clock this morning a message of goodwill to her friends and well-wishers of China in the United States.

Introduced to the American radio listeners by Dr. C. T. Wang, Chinese Ambassador designate to Washington, Mme. Chiang dwelled on the forces now working in China for a genuine unification of the country, the spread of mass education, the promotion of economic betterment and the building up of the people's character through the launching of the New Life Movement during the past three years.

From the microphone into which Mme. Chiang spoke, the message was relayed to Chenju near Shanghai where it was placed on the air. In San Francisco the National Broadcasting Company picked up the message and rebroadcast it over a national hook-up.

In introducing Mme. Chiang, Dr. C. T. Wang, said:

"It gives me great pleasure as well as honour to introduce to you Mme. Chiang Kai-shek, wife of our great national leader. Mme. Chiang has been most helpful in the important work of national reconstruction so ably undertaken by her distinguished husband. Not only that, but in her own sphere, she has shown such fine qualities of both her mind and heart. Her resolute determination and fearless courage in flying to Sian to join General Chiang last December has made her beloved by the whole nation. She is now going to speak on a very vital phase of our reconstruction work, namely the New Life Movement. I beg to present to you Madame Chiang Kai-shek." Madame Chiang's speech fol-

lowed, is deeply concerned with the character that goes to make a nation. Without men of character, there can be no unified state. When men allow personal ambition, greed, selfishness and glory to dominate their political theories and actions, we are immediately plunged into civil war. There is an old Chinese saying, "If you are planning for one year, sow grain; if planning for ten years, plant trees; but when planning for a hundred years, grow men." The work of educators, missionaries, social workers, the various philanthropic foundations and now the New Life Movement is deeply concerned with developing men and women of character. As China finds herself being closely knit together into one unified whole, she acknowledges a debt of gratitude to her own sons and daughters and to those who have come to us from across the seas.

In addition to building character, the New Life Movement stresses the responsibility and duties of citizenship. Ambitious men may intrigue to invade neighbouring provinces but as citizens are more and more voicing their opinions and insisting upon unification, this breaking of national unity is becoming exceedingly difficult. He is a fool-hardy man indeed who to-day will disregard this growing and formidable public opinion. National unity is here because the people demand it.

Generalissimo Chiang Kai-shek has devoted the greater part of his life to the unification of China's armies and this has been no small undertaking. For some time past he has been turning his attention to the economic and social needs of the people as the next logical step in the modernization of this country.

But before I go into that fascinating subject, let me devote a few minutes to the remarkable advancement in cultural education that is taking place right before our eyes. This may be the least sensational phase of the national programme of reconstruction but it is certainly the most far-reaching.

Everywhere in China, there seems to be an insatiable thirst for knowledge. Book stores are crowded, periodicals and magazines are increasing and newspapers are bursting open around us like popcorn. Universities, schools, lecture halls, movies—those are all crowded. Popular evening classes for farmers, workers, richsha pullers, shop

MME. CHIANG SETS PRECEDENT.

(Continued from page 10.)

from the Chinese in Manila requesting the opening of New Life Movement associations in the Philippine Islands. Every one of these requests will be carefully answered by the enthusiastic young men and women who are feeling the thrill of building a new China. It is reassuring on this our third birthday to have such complete co-operation within and so many offers of help from overseas Chinese and friends abroad.

But I must hasten if I am to tell you something of what progress we are making toward economic betterment. You know as I do that economic improvement comes more rapidly in times of peace. Generalissimo Chiang Kai-shek has not merely brought the nation peace and, under the New Life Movement, unified all the forces working towards the welfare of the people; but since his return from Sian, in addition to his military duties, he has been working unceasingly on plans for economic betterment. Into the framework of a constitutional system of government will go all these schemes for the development of natural resources and the opening of new avenues of livelihood for the people.

Perhaps the biggest factor in the economic development of the country and the unification of the various provinces, is the ever widening system of highways and railroads that is being pushed into remote parts of the country. The motorbus is now busy in every province, supplementing the donkey, the mule litter, the sedan chair and the wheel-barrow. Highways now exist so that you may drive an automobile through China from Shanghai to Singapore as well as through the westernmost provinces of China to Europe and Great Britain. You can board a train at Canton in the very south of China and ride by rail right through to any point in Europe and Great Britain—the longest railway journey in the world. If we could use our imaginations on what this means to China and the other nations of the world we would have a picture more startling than anything misinformed newspapers and magazines have yet brought to us.

Yesterday I was examining some samples of soil taken from Linchwan, in Kiangsi Province, and analyzed by the National Geological Survey laboratories in Nanking. This forcibly reminded me how greatly scientific methods are now being applied in China for economic improvement and how scientists under the National Government are now busily classifying the untapped resources of the country. Such was not possible a few years ago, but China now has her own sons and daughters returning from abroad, equipped with the technique and skill, for participation in this great task

Great efforts are being made to raise the standard of living by systematically developing the natural resources of the country. To do this effectively, the Generalissimo has launched the People's Economic Reconstruction Movement as complementary to the New Life Movement.

In the midst of all these changes the New Life Movement supplies us with a spiritual life line to hold all our people.

The slogan "Salvation from Within" does not imply a policy of isolation nor anything approaching it. It merely indicates that we have native leadership and technique, which did not exist a few years ago, the old system of haphazard philanthropy in China is slowly giving way to better economic planning, framed within a thoroughly democratic State. We do not stand in need of any political social or economic "isms" so long as we can use the experience and wisdom of our forefathers and have the advantage of modern scientific technique. We must further see that we appoint to office capable men who are dedicating themselves to living the principles of the new life and to working for internal peace and complete co-operation with all the nations who respect us in our inalienable rights of freedom and equality.

I see that I have another minute left. May I use it to convey my personal greetings to my friends across the ocean and to all well-wishers of China? At this moment I am recalling with great vividness those happy formative years of my life that I spent studying in America and the many delightful friendships I made during that time. I hope my friends still remember me and recognize my voice. With us in China it is now eight o'clock on Sunday morning. So I bid you good morning.—*Central News*.

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but in her own sphere, she has shown such fine qualities of both her mind and heart. Her resolute determination and fearless courage in flying to Sian to join General Chiang last December has made her beloved by the whole nation. She is now going to speak on a very vital phase of our reconstruction work, namely the New Life Movement. I beg to present to you Madame Chiang Kai-shek."

Madame Chiang's speech follows:

China lately has been brought forcibly into prominence as a result of spectacular happenings. For example, there have been internal political explosions and the more widespread effects of external aggressive intrigues.

Unfortunately, the reading public as a whole has no time to analyse the origins of certain newspaper reports or to focus events in their proper proportions. Distortion consequently often triumphs over fact and the public mind is therefore prone to take it for granted that China produces nothing but startling sensations and mysteries and make-believes.

The really startling thing about China, however, is the amazing progress that is taking place. The era of civil wars and banditry is now approaching its end. The will of the people and the policy of the National Government are united in harmony, with all the differences settled through peaceful means. Public opinion within China is now the strongest factor in deterring the hasty who would rush to settle their differences with the sword.

Everywhere, there is widespread recognition of the fact that with the solution of the economic problem, the political problem will be automatically solved. For this reason, the Government is bending its energies towards giving the people an efficient, honest and progressive administration. Where carelessness and corruption have long held sway, this is not as easy as it may at first appear.

The New Life Movement, which we are celebrating this

of the National Government reconstruction but it is certainly the most far-reaching.

Everywhere in China, there seems to be an insatiate thirst for knowledge. Book stores are crowded, periodicals and magazines are increasing and newspapers are bursting open around us like popcorn. Universities, schools, lecture halls, movies—those are all crowded. Popular evening classes for farmers, workers, richsha pullers, shop assistants and housekeepers are in full swing in most large centers. All modern findings in hygiene and diet as well as the simpler rules for healthful living are eagerly sought for. The radio over which I am now speaking to you is being listened to by tens of thousands of our people. We receive fan mail from the remotest corners of our country. Knowledge and unification go hand in hand.

To you in America, Canada, Great Britain and Europe we are greatly indebted for the part you have played, and are still playing, in helping us to spread knowledge of the modern world throughout the provinces of China. To the Generalissimo and to me it is a great pleasure indeed to be able to speak to you in your own homes. I wonder if this makes you realize as it does me that we are brothers and sisters the world over? Why should there ever be misunderstanding and strife when there are so many of us who held the same ideals and are working for world peace and progress?

In order to ensure a still more rapid spread of knowledge throughout this country we are relying upon the New Life Movement which is gathering together those currents of life and thought which count most in the reconstruction of the nation. All cultural organizations are working toward a new social order which has now become the symbol of unity and service. On this our third anniversary telegrams are pouring in from all over the world offering congratulations and cooperation. One has just come

(Continued on page 11.)

in Nanking. This forcibly reminded me how greatly scientific methods are now being applied in China for economic improvement and how scientists under the National Government are now busily classifying the untapped resources of the country. Such was not possible a few years ago, but China now has her own sons and daughters returning from abroad, equipped with the technique and skill, for participation in this great task of reconstruction.

Not only are scientists busy at work everywhere, but great engineering projects are under way especially in connection with flood prevention, river conservancy and irrigation.

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PEKING & TIENTSIN TIMES, TUESDAY, FEBRUARY 23, 1937.

"UNITED FRONT" AGAINST JAPAN URGED IN APPEAL.

Madame Sun Releases Statement Asking Mass Action.

FENG YU-HSIANG BACKS PROPOSAL.

Shanghai, Feb. 18.

A personal statement was issued this morning by Madame Sun Yat-sen from her home in the French Concession, together with the text of a proposal submitted over signatures of Madame Sun, General Feng Yu-hsiang and a group of others appealing to the Third Plenary Session at Nanking for a "united front" in the national emergency.

The manifesto recalls the period of Communist admission to the Kuomintang in 1924 and urges a re-establishment of Dr. Sun's "three policies" of that period, stated as Union, alliance with the Communists, and help for the workers and peasants. It is declared that such a course will "save the Party and the country from enslavement and accomplish our revolutionary work."

"Last Extremity."

Madame Sun's statement calls attention to China's "last extremity" through "Japanese aggressions," calls for cessation of "humiliating negotiations with Japan," declares Japan cannot defeat China, deplores the poverty, misery and distress of all rural districts of this country, and says that the only solution is "to promote rural reconstruction and industrialization" along the lines of Dr. Sun's teachings; "practically, to bring the masses into action the government must bring to an end the period of tutelage, convoke the National Congress as speedily as possible and attract people of talent, notwithstanding their party affiliations, to the government."

Signatories of the proposal to the Third Plenary Session are listed as including:

Soong Ching-ling (Mme. Sun Yat-sen), Feng Yu-hsiang, Sun Fo, Ho Hsiang-ning (Mme. Liao Chung-kai), Ching Hen-yi, Li Yu-yin, Chang Jen-chieh, Shih Chin-ting, Lu Chun-ling, Li Lieh-chun, Liang Han-chao, Shih Ying, Chang Che-p'en, Chu Chi-tsing.

Text of the proposal follows:

A Proposal to the Third

Plenary Session for the Re-establishment of the Three Policies of the Late Party Leader.

To the Whole Comrades Body of the Third Plenary Session of the Kuomintang:

The reorganization of this Party in 1924 by the late Party leader, accompanied by the establishment of the Three Policies: alliance with the Soviet Union, alliance with the Communists and help for the workers and peasants, had a great deal of effect in rejuvenating the revolutionary front. Accordingly the revolution developed by leaps and bounds.

Front Collapsed.

Unfortunately after the internal strife of 1927, the united front collapsed and the value of the three policies was ruined completely. The failure of the revolution was followed by foreign aggression which has been particularly intensified in the past five years, resulting in the loss of nearly six provinces of our territory and the immediate danger of complete enslavement of China. While conscientious people are heartbroken, we wonder what we, as members of the Kuomintang must do—we, who have the responsibility of the success or failure of the revolution and the prosperity or enslavement of the country on our shoulders. What must we do to comfort the soul of the late Party leader and the heroic spirits of our victimized martyrs and the tens of thousands of the revolutionary officers and soldiers who either sacrificed their lives or suffered physical injury for the cause.

We were instructed to execute the will of the late Party Leader and we cannot shift our responsibility upon the shoulders of others. We have been much ashamed for our dilatoriness and the stealing away of our lives. It makes one angry to recollect the dying moment of the late Party Leader who, being mindful of the revolution was so reluctant to die.

Communist Appeals.

In the past six months we

have received a number of letters and circular telegrams from the Chinese Communist Party to the C.E.C. of our Party asking for Kuomintang-Communist cooperation once more to jointly resist Japan. It proves that solidarity for struggle against the aggressor has become their unanimous demand of the people throughout the country which was further attested by the late Sian Event. Since the Chinese Communist Party is also willing to cease their activities which are detrimental to the political power of our Party and to support unity to resist Japan, it is all the more expedient for our Party to take the opportunity to re-establish the Three Policies of the late Party Leader so as to save the Party and the country from enslavement and to accomplish our revolutionary work.

Hereby we make an urgent proposal to the Third Plenary Session to permit immediate discussion on the re-establishment of the Three Policies of the late Party Leader so as to help tide over the present day extraordinary national crisis, since it will benefit both the Party and the country.

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Madame Sun Yat-sen's Statement follows:

By Soong Ching-Ling
 (Madam Sun Yat-sen).

The eyes of all the Chinese people are anxiously turned toward the Third Plenary Session that is being held in Nanking at this critical period of our history. China has been driven to its last extremity by the Japanese aggressions. The final sacrifice is inevitable, Japanese provocations have raised the anti-Japanese movement to a high point, and it is gaining great momentum. All Japanese efforts to attack Suiyuan, while their efforts to force demands upon the Chinese Government resulted in failure. The determination and resolution of the Chinese people to make no more concessions to Japanese imperialism, but to prepare to recover our lost territories is of greatest political significance in the life of our nation.

Humiliating negotiations with Japan must cease!

Real Situation.

It is most unfortunate that there are still politicians who do not understand the real situation, and who are victims of the "fear of Japan" sickness. They overestimate the strength of

Japanese imperialism and underestimate the power of the Chinese people. Such erroneous ideas are without foundation.

Japan cannot defeat China because, first, she is economically and financially too weak to withstand a long war; 2nd, because the Japanese people themselves are opposed to war,—the upheaval in their political life indicates their worry and dissatisfaction with the militarist adventurist policy which has brought heavy burdens and impoverishment to the Japanese toiling masses; 3rd, because the military strength of Japan is numerically inferior, and is technically backward. Lastly,—compared with other world powers and this is the determinant factor,—because the Chinese people themselves have resolved to fight to the end.

Japan Deflated.

It would be ridiculous to think that Japan can send from 15 to 20 divisions to fight in China when the general situation in the Far East is so unfavourable to them. This number would be such an insignificant force for them to ever hope to accomplish their purpose, and the fact remains that neither their industry nor their reserves will permit the sending of greater numbers. This small force, scattered over our immense territories would be shattered by our numerically superior Chinese soldiers, fighting for their lives and country. They have saved Suiyuan, from the aggressors, and they will save the nation.

There can be no doubt to whom the victory would go! If only the Government would execute the last will of our late party leader, Sun Yat-sen, who on his deathbed declared that the salvation of China lies in the faithful execution of his Three Policies!

Help for People.

Improvement of the Peoples Livelihood is essential for every Chinese government. Although in the last few years there has been some small progress in the field of railway construction and road building, still the living conditions of the people remain unchanged.

Poverty, misery and distress is evident in all rural districts. Our farmers are suffering from exorbitant levies, taxes and extortions from feudal remnants

in villages, which are still unabolished. And we must not forget that the peasantry is the backbone of Chinese economy. Unemployment in the cities is affecting the toiling masses. Not only are the workers in a miserable state, but the young intelligentsia is without work. Educated in schools and universities, our Chinese youth must idle in the streets without hope of applying their knowledge.

Only Solution.

The only solution to this problem is to promote rural construction and industrialization of our country. To carry this out it is necessary to act in accordance with the teachings of our late party leader. The government must free the mass movement, sponsor mass initiative and enthusiasm for reconstructive purposes. Only then can the principle of Livelihood be fulfilled. We must never forget that the late party leader always taught that the promotion of the mass movement in every field of activity is the basic condition for success. Reconstruction and rural improvement will go speedily forward only when we follow Sun Yat-sen's Will and teaching.

Practically, to bring the masses into action the Government must bring to an end the period of tutelage, convoke the National Congress as speedily as possible and attract people of talent, notwithstanding their party affiliations, to the Government. The National Congress will fulfill its task only when the electoral system is so arranged that the masses can really participate.

Abolish Censorship.

To facilitate the election the Government must immediately abolish censorship, grant freedom of assembly, organization and speech, release all political prisoners and give living reality to the late party leader's will for a democratic government.

It is very regrettable that even now we have in the government certain individuals who have not yet understood that for the salvation of the country we must liquidate every civil war. How ridiculous it is to hear today the antiquated theory that first we must suppress the communists and then resist Japanese aggression! Shall we go to war with one arm broken? We have had 10 years of experience in civil wars, when the country's

energies have been wasted on internal strife and the country devastated when Japanese militarists were slicing off one piece after another of our territory.

New Light.

Every Chinese patriot now rejoices that after these painful experiences, the Government is beginning to understand that internal strife must cease for the sake of national salvation and that all the forces, including the communists, must be utilized to preserve Chinese national integrity. It is self-evident that Chinese must not fight against Chinese. The Chinese people do not want to fight against their own brothers. They know it is against the interest of the nation. Every internal conflict can and must be salved peacefully and amicably. There must be no more civil wars. There must be peace and unity. We must speedily build up Chinese national defence against foreign aggressions.

Although the salvation of China depends on the Chinese people themselves, yet the late party leader has advised us not to isolate ourselves from the outer world, but to cooperate with those nations who treat us on the basis of equality, such as the U.S.S.R., America, England and France. World-wide sympathy is with China in her struggle to meet Japanese aggressions. The task of the government is to utilize such sympathy in the most effective way.

I have said nothing new in this article, only what our dead party leader has instructed us. I firmly believe that if the Government would faithfully follow the Will of Sun Yat-sen and take effective steps to execute his three fundamental policies, then China will quickly recover from her internal turmoil and distress, and externally will be greatly respected by the world. Soong Ching-Ling. — *Shanghai Evening Post and Mercury*.

1332

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

TELEGRAM RECEIVED

LMS

1-1336

GRAY and SPECIAL GRAY
FROM
Peiping via N. R.

Dated April 6, 1937

Rec'd 2:15 p. m.

Secretary of State,
Washington.

COPIES SENT TO
O.N.I. AND M.I.D.

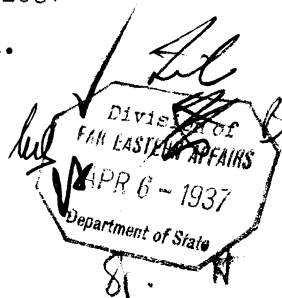
110, April 6, 7 p. m.

Embassy's 101, March 27, noon.

One. No (repeat no) reply has been made by the local Chinese authorities to the Japanese Embassy's written representations of March 23 with respect to the searching of Japanese traveling on the Pingsui Railway. Japanese state that no (repeat no) further instances of search have occurred however, presumably as a result of the representations.

Two. Information from various sources indicates that the North China garrison continues to be dissatisfied with the present situation in North China and that its officers are not agreed as to what policies should be followed.

Three. The Japanese press has treated smuggling, sensationally (*) Han Fu Chu's visit to Chiang Kai-Shek. The visit has not (repeat, not) necessarily created a bad impression among the Japanese military, however, as, for example



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APR 9 - 1937

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

LMS 2-No. 110, April 6, 7 p. m., from Peiping.

example, the Japanese Consul at Tsinanfu is reliably stated to have reported that the purpose of Han's visit was to explain to Chiang the reasons why Han could not (repeat not) break his "spiritual" ties with the Hopei-Chahar Political Council, which presumably means that he is not in position to put himself more definitely under the control of the National Government.

Four. As an indication that the National Government regards itself as maintaining administrative control in North China, several officials of the National Government have visited Hopei during the past few days, including the President of the Judicial Yuan who came to inspect courts and two members of the Ministry of Education who came to inspect schools.

Five. Seemingly the only recent developments definitely pleasing to the Japanese was the departure yesterday of several members of the Hopei-Chahar Political Council for the purpose of touring Japan under the guidance of South Manchurian Railway employee and of two Japanese advisors of that Council. It is understood that group of officers of the 29th Army will shortly follow them. This does not (repeat not) seem to mean, however, that the local Chinese authorities are becoming more yielding to Japanese ambitions.

By mail to Tokyo.

LOCKHART

KLP:HPD
(*) Apparent omission.

CHARGE SLIP

793.94

DATE	CLERK'S INITIALS	REMARKS
12-17-34	7.68.9	with 6817
1-28-35	f/v	
2-11-35	f/v	W 6864
3-13-35	f/v	W 6912
10-5-35	f/v	W 1004
11-4-35	f/v	W 7342
11-13-35	f/v	W with 7247
11-17-36	f/v	with 8359
12-17-36	f/v	W 893.102 5/1426
4-15-37	f/v	W 8584
4-26-37	f/v	W 8597
5-4-37	f/v	W 898.01 2 units Thompson/102
5-11-37	f/v	W 741.93/104

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

0331

0335

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

April 15, 1937.

~~MEM~~
~~JGV~~
~~MMH~~

Tientsin's despatch No. 425 of March 5, 1937, entitled "Sino-Japanese Negotiations on the Status of the Demilitarized Zone", is a report of a conversation on March 4, 1937, between an officer of the Consulate General and a Chinese official of the Tientsin Municipal Government. The Chinese official is credited with the statement that a tentative agreement has been reached between the Chinese and Japanese authorities for a return of a part of the demilitarized zone to "quasi Chinese control", in return for which the Japanese Kwantung Army is to receive \$1,000,000.00.

The Consulate General does not consider the source of this information wholly reliable and states that "it is altogether possible that the arrangement described amounts to nothing more than a mooted solution of the problem."

Passages are marked for possible reference.

~~7-24~~
FE:HES:VCI

0336

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

To: Department of State

No. 425.

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN CONSULATE GENERAL
Tientsin, China, March 5, 1937.

CONFIDENTIAL

SUBJECT: Sino-Japanese Negotiations on the Status
of the Demilitarized Zone.

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Peiping.

Sir:

COPIES SENT TO
O.N.I. AND M.I.D.

I have the honor to refer to the Consulate
General's despatch No. 396, ¹⁸⁵¹⁶ dated January 13, 1937,
on the subject of Sino-Japanese negotiations on
the status of the Demilitarized Zone, and to report
that, in the course of a conversation with a Chinese
official of the Municipal Government last evening,
an officer of this Consulate General was informed
that a tentative agreement has already been reached
between General Sung Che-yuan and the Japanese mili-
tary in Tientsin according to which eleven of the
twenty-two hsien at present controlled by the East
Hopei Anti-Communist Autonomous Government will be
returned to quasi-Chinese control, in return for
which the Hopei Chahar Political Council will make
a payment of \$1,000,000.00 into the coffers of the
Kwantung Army.

In

790.94/8872

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

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In discussing the further details of this alleged arrangement, the informant stated that it would amount to a reconstitution of the separate areas into which the Demilitarized Zone was divided on December 1, 1933. It will be recalled that at that time the Zone was divided for administrative purposes into the Luan Yü Ch'ü, comprising roughly the easternmost half of the Demilitarized Zone, and the Chi Mi Ch'ü, comprising roughly the western half of the Zone. At the time of the establishment of these districts, Yin Ju-keng was made Director of the Luan Yü Area and Tao Shang-ming of the Chi Mi Area. As a result of Japanese pressure, Tao Shang-ming was driven from his post and Yin Ju-keng, eminently acceptable to the Kwantung Army, was made Director of both areas and, as is well known, later declared the establishment of an independent government over the combined area.

The reported arrangement is supposed to contemplate leaving Yin Ju-keng in his original post if he wishes to keep it. The informant stated that about a week ago Sung Che-yuen very nearly caused a rupture in the negotiations and the rejection of the agreement by the Japanese by making known his selection for the Directorship of the eleven haïen which it is alleged are to be recovered. This appointment has, however, been temporarily withdrawn and the informant thinks that most of the difficulties in the way of the agreement have now been successfully got over and he expects that the arrangement for the partial rendition

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

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rendition of the eleven hsien in question will be made public shortly.

The agreement does not contemplate any change in the demilitarized status of the Zone and does not affect the Tangku Truce, signed on May 31, 1933, establishing that Zone. The informant asserts that the maintenance of public order in that part of the Zone which he alleges is to be returned will be entrusted to a corps of Pao An Tui.

The negotiations have, according to the informant, also dealt at some length with the problem of smuggling and the Japanese military authorities in Tientsin have expressed themselves as definitely opposed to smuggling and sympathetic with the Chinese desire to suppress it, but, the informant alleges, the Japanese military state at the same time that the Chinese Government must, to prove its sincerity, arrange a reduction of tariff on certain of the goods which the Japanese import in quantity into North China. The informant stated that the Chinese authorities of the Hopei-Chahar Political Council had avoided making any agreement in connection with the tariff since, in the first place, it was a matter for the Nanking Government and, in the second place, any arrangement which was made by the Chinese would involve, through application of the "most favored nation" clause, other nations.

The informant stated further that the Nanking Government plans to make an effort to reorganize the finances of Hopei and for that purpose will soon

despatch

0335

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

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despatch H. H. Kung to North China. The financial situation in the North has been brought to a head quite recently, the informant stated, through the action of the Hopei Provincial Bank in issuing 200 million more paper dollars than they have backing for.

The official quoted had not heard the rumor which has reached several usually well-informed Chinese in Tientsin within the last two weeks to the effect that Chang Hsueh-liang was to be made the Minister of War of the National Government. He did not believe that such a move was likely.

In connection with the remarks of the informant quoted above, the Embassy's attention is respectfully invited to the fact that although he is intelligent, usually well-informed, and well-connected both in North China and through his political sponsor with an important official in the Nanking Government, he has not always proved a reliable source of information, probably because he appears to be in a position which makes it possible for him to know the details of plans which are being discussed before his superiors have decided whether to adopt them or not. It is altogether possible that the arrangement covering the Demilitarized Zone which he has described amounts to nothing more than a mooted solution of the problem.

It may be pertinent to add here the remark of a well-informed individual who, speaking independently of the informant quoted above, stated last night that he had just come from a dinner at which many prominent

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

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prominent local Japanese were present and at which
 the course of the present negotiations was discussed,
 it being the opinion there expressed and shared by
 himself, that "although a great deal of talk is going
 on nothing at all is going to be done."

Respectfully yours,

David C. Berger,
 American Consul.

800
 NSW:mhp

Copy to Embassy, Nanking.
 Five copies to Department without covering despatch.

4 APPROVED COPIES
[Signature]

A true copy of
 the signed original.
[Signature]

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

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DOCUMENT FILE

NOTE

SEE 711.90/32 FOR #368

FROM China (Nanking) (Johnson) DATED March 5, 1937
 TO NAME 1-1127 e p o

REGARDING: International relations in the Pacific.

Conversation of today with Chiang Kai-Shek, during which the Generalissimo expressed the hope that the U.S. would show an interest in the Far East comparable to that displayed by Great Britain

FRG.

135.94/ 3573

8573

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

NO. 669

AMERICAN CONSULATE GENERAL,
Shanghai, China, March 15, 1937.

793.94

For the		W.	✓
Grade	For	In U.S.A.	✓
	<u>M. Gauss</u>	<u>CMJ</u>	<u>- 8</u>

RECEIVED
DEPARTMENT OF STATE
MAR 17 1937

SUBJECT: Sino-Japanese Rapprochement.

COPIES SENT TO
U.N.I. AND M.I.D.

THE HONORABLE

THE SECRETARY OF STATE,
WASHINGTON.

SIR:

1/ I have the honor to enclose a copy of a self-explanatory despatch of today's date, with enclosure, from this Consulate General to the American Embassy at Peiping in regard to the subject above mentioned.

Respectfully yours,

C. E. Gauss,
American Consul General.

Enclosure:

1/- Copy of Shanghai Consulate General despatch No. 702 with enclosures.

800
EFD MB

In Quintuplicate.

FILED

MAR 14 1937

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

No. 762

AMERICAN CONSULATE GENERAL
SHANGHAI, CHINA.

March 15, 1937.

Subject: Sino-Japanese Rapprochement.

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Peiping.

Sir:

I have the honor to enclose, as of possible interest
1/ to the Embassy, a copy in translation of a leading
article which appeared in the March 12, 1937, edition
of the SHANGHAI MAINICHI (reputed to be subsidized by
the Japanese military) entitled "Sino-Japanese Rapproche-
ment."

It will be observed that disappointment is reg-
istered at the cold manner in which the Chinese press
responded to what the Japanese considered to be extremely
conciliatory gestures on the part of Mr. Sato, Japanese
Minister of Foreign Affairs, looking towards an improve-
ment in Sino-Japanese relations. It would appear, how-
ever, that far from evoking an enthusiastic response in
China, Mr. Sato's utterances have made him a number of
enemies in Japan and rendered the future course of Sino-

Japanese

1344
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Department of State letter, August 10, 1972
By Milton O. Gustafson NARS, Date 12-18-75

-2-

Japanese relations more uncertain than ever.

Respectfully yours,

C. E. Gauss,
American Consul General.

✓
Enclosure:

1/- Copy in translation of article
from SHANGHAI MAINICHI of
March 12, 1937.

800
EFD MB

In Quintuplicate to Department
by despatch No. 669 of even date.

Copy to Embassy, Nanking.

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. 1 to despatch No. 762 of C. E. Gauss,
 American Consul General at Shanghai, China, dated March
 15, 1937, on the subject: "Sino-Japanese Rapprochement."

SOURCE: SHANGHAI MAINICHI (reputedly sub-
 sidized by Japanese military),
 March 12, 1937.

On March 10 Mr. Kawagoe, Japanese Ambassador to China, called on Mr. Wang Chung-hui, Chinese Foreign Minister, when the latter expressed his appreciation of the manifesto issued by Mr. Sato, Japanese Foreign Minister, regarding Japan's policy towards China. An important function of diplomats is to promote friendly feeling when there are so many difficult problems waiting for solution by the two countries. In view of this the first meeting of Mr. Sato and Mr. Wang Chung-hui takes on much value.

Judging from Chinese public opinion expressed through leading publications, Mr. Sato's speech on Japan's policy towards China does not seem to have been thoroughly understood by the Chinese.

On March 10 and 11 the Ta Kung Pao published the following comments on Mr. Sato's speech: "The problem of the North-East and North China must be discussed first if Sino-Japanese relations are to be restored to a normal condition. We draw the attention of our people to the fact that there is a great difference between Japanese and Chinese opinion regarding the relations between the two countries. Our people should know that since September 18 Japan has occupied Jehol, North Chahar and East Hopei and she is now attempting to invade Suiyuan Province."

On March 10 the Sun Pao published a leading article pointing out that the object of the change in Japan's foreign policy is to re-open Sino-Japanese negotiations and that her fundamental policy is not being altered. The paper further advocated that if Japan is sincere in her change of policy, all unlawful organizations in the North should be cancelled and the four provinces in the North East returned to China before negotiations are commenced.

On March 10 the China Times published a leading article to the effect that after dismembering China's territory and encroaching on China's sovereignty during the past few years, Japan claims to have no territorial ambitions in China. Japan may change her method of pursuing her policy but she will not modify her original motive. For this reason, China cannot expect anything as a result of Mr. Sato's speech.

AS

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

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As long as the Chinese people hold such an opinion there will be no chance of promoting better relations between the two countries.

Japan's understanding of China has improved but China's understanding of Japan still remains unchanged. It is noteworthy that the present Chinese public opinion is formed on the basis established by the Third Plenary Session.

Copied by MB
Checked with JAC

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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

March 25, 1937

Mr. Secretary:

Japan's relations with China.

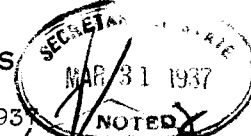
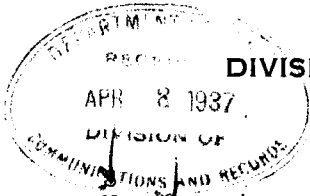
There are attached three recent telegrams bearing upon Japan's relations with China, one from Tokyo, one from Peiping and one from Nanking.

It will be recalled that on March 8, the Japanese Minister for Foreign Affairs, Mr. Sato, made a statement in the Imperial Diet, which was hailed abroad as calling for a New Deal in Japan's China policy. Judging from the facts, however, that the statement evoked considerable criticism among the military group and other reactionary elements in Japan and that this criticism prompted Mr. Sato to modify his original remarks in a series of explanatory statements in the Budget Committee, it is apparent that Mr. Sato and his Cabinet colleagues concluded that he had on March 8 said too much.

In endeavoring to form an opinion on how these developments will affect future Japanese policy toward China, the following facts should be considered:

(1) Sato told the Budget Committee that different measures are required in dealing with North China than he used in dealing with Central and South China, and that the "special trade" in North China (smuggling under the protection of the Japanese Military) would be discussed by

Japan



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APR 11 1937
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 Department of State letter, August 10, 1972
 By Milton D. Gustafson NARS, Date 12-18-75

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Japan only in connection with the problem of Chinese tariffs. These statements would indicate that Japan has not abandoned the policy of creating and maintaining autonomous regimes in North China and of pressure upon China to reduce tariffs.

(2) Sato said that economic and cultural cooperation between Japan and China should take priority over political negotiations. This proposal is the natural outcome of the breakdown in Japan's efforts last autumn to induce the Chinese Government to accede to Japan's demands of a political nature. The Chinese, however, insist that political adjustments (along the lines they desire) must be reached before any concrete program of economic cooperation can be agreed to. Owing to this attitude, a recent Japanese economic mission to China accomplished nothing, and now the Japanese press advocates Japan's proceeding alone to push her economic program in North China.

It would therefore appear that, while Japan may be expected to relax to a more or less degree pressure upon China aimed at political objectives, ^{Japanese} no gains in North China are likely to be abandoned and efforts toward economic penetration particularly in the north are to be continued. This can only serve to keep alive the friction between the two countries. It must always be borne in mind that the Japanese military forces in Manchuria and in North China have consistently shown a disposition to act independently

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

- 3 -

independently of Tokyo in the matter of encroachment upon
China through the creation of incidents and intrigue with
local political leaders.

✓
7/28

JWB
JE: JWB/DLY

0350

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

793.94

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Canton/110 FOR #46 to Embassy

FROM Canton (Linnell) DATED March 5, 1937
TO NAME 1-1127 000

REGARDING: Sino-Japanese relations: Canton Consular district during the
month of February, 1937.

FRG.

793.94/ 8378

8378

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

5. Relations with Japan:

(a) Little Interest Manifested in Sino-Japanese Developments:

793.94
 Due to preoccupation with the internal political aspects of the Kuangtung Session at Hankow, relatively little interest in Sino-Japanese relations was manifested. In what was practically the only editorial which appeared on the subject in the local vernacular press, the Canton KUNG KUNG PAO commented pessimistically on the advent of the Koyashi administration, treating it as an ominous event certain to presage a stronger Japanese policy towards China, more intense Japanese armament and early resumption of Japan's "Continental Policy" program. The fact that Japan is ready to strain her resources to expedite armament is cited as evidence of the

inevitability
 "Political review for January, 1937, and other references therein cited.

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

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inevitability of war in the Far East, and the editor asks what the Chinese Government has done in the way of preparations for military defense.

Announcement of the Paoistang session's decision to continue a conciliatory policy towards Japan and news of Premier Koyashi's speech promising a more considerate Japanese policy towards China failed to elicit any marked response from the press or other quarters in Canton; and there is no indication that either development is likely to diminish appreciably the existing anti-Japanese sentiment in either Kwangtung or Kwangsi.

(b) Japanese Protests against Conservancy Tax and Wolfram Monopoly.

The Japanese Government protested, through its local consular authorities, against the special conservancy tax which the Central Government instructed the Canton Customs Commissioner to impose, and also against the institution of the governmental wolfram monopoly, which, in effect, is a re-institution, under National Government control, of a monopoly which has for some time existed under Kwangtung Provincial management. Japanese consular representatives approached this office in regard to these matters and intimated that they would like to have other consulates join them in their protests. It is understood that no other consular office has yet protested the conservancy tax. This Consulate General is studying the matter of the wolfram monopoly and a despatch in its regard is being sent to the Embassy.

035

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

793.94

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Tsingtao/108 FOR #180 to Embassy

FROM Tsingtao (Sokobin) DATED March 4, 1937
TO NAME 1-1127 GPO

Sino-Japanese relations: indications that Japanese are under instructions to observe a "hands off" policy in smuggling cases.

REGARDING: Incident in which a Chinese Maritime Customs cruiser, in bringing in a Japanese fishing trawler, shot one of the trawler's crew of Japanese.

793.94/8079

FRG.

8079

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

793.94
C. Relations with Japan

For a few days at the beginning of the month the leading local Japanese daily newspaper endeavored to magnify an incident in which a Chinese Maritime Customs cruiser brought a Japanese fishing trawler into port and in which a Japanese member of the trawler's crew was shot. The Japanese authorities apparently have not pressed the case, and it would appear that these authorities have been instructed to observe a "hands off" policy in the smuggling cases.

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

12-94

DOCUMENT FILE

NOTE

SEE 893.00 P.R./134 FOR #367

FROM China (Nanking) (Johnson) DATED March 5, 1937
 TO NAME 1-1127 670

REGARDING: Sino-Japanese relations of the month of February, in summary.

FRG.

793.94/ 8580

8580

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

793090
 1. Japan.

No progress was made in Sino-Japanese negotiations. The Japanese Ambassador spent a part of February in Nanking but did not, so far as is known, hold any conversations with the Foreign Minister in regard to pending issues between the two countries, it being generally believed that the cabinet crisis in Tokyo prevented the Japanese Foreign Office from issuing Mr. Kawagoe instructions. Chinese officials appeared to regard with reservations the statement before the Japanese Diet February 27 of War Minister Sugiyama that "Japan has no intention of occupying North China, although she could have occupied the Peking-Tientsin district at the time of the Jehol war if she intended to do so."

Mr. Y. Suga, for several years Japanese Consul General and First Secretary at Nanking left during February on transfer to Washington. Mr. Suga has been a conspicuous figure in Sino-Japanese discussions at Nanking and prior to the raising of the Japanese mission to an Embassy¹ he was at times referred to by the vernacular press as "the real Japanese Minister," in part because he was an unusually loquacious and authoritative spokesman of the Japanese military. Some observers conjecture that discussions between the Chinese Foreign Office and the Japanese Embassy will now assume a quieter tone.

2.

1. The first Japanese Ambassador to China, Mr. Akira Ariyoshi, presented his credentials June 14, 1935.

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

793.94

DOCUMENT FILE

NOTE

SEE 893.00 P.R./133 FOR #1097

FROM China (Lockhart) DATED March 8, 1937
TO NAME 1-1127 o.p.o.

REGARDING: Sino-Japanese relations of the month of February, 1937, in summary.

FRG.

793.94/ 8581

8581

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

- 1 -

II. Foreign Relations:

A. Relations with the United States:

Nothing to report.

B. Relations with other countries:

1. Japan:

a. The National Government's Japan Policy:

793.9
11-1-7

There had been during January no significant developments in Sino-Japanese affairs, primarily because of the confused domestic situation existing in both countries. The situation in China became clarified during February to a considerable degree, with the result that the Third Plenary Session of the Central Executive and Supervisory Committees of the PRC, which met at Peking from February 15 to 18, reconsidered China's policy¹ vis-a-vis Japan and decided, according to official statements, that no change should be made; that is, that the settlement of Sino-Japanese questions by diplomacy should be continued as long as possible. In a manifesto issued at the close of the session, the policy was described as follows: "... there is no conflict between our determination to make the last sacrifice and our desire for peace. If there is still hope for peace we shall still be willing to continue our efforts in working for a preliminary readjustment of Sino-Japanese relations on a basis of equality, reciprocity, and mutual respect of each other's territorial integrity ...".

Notwithstanding

1. Embassy's despatch 1070, March 3.

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

- 2 -

Notwithstanding official statements, there was widespread speculation as to whether a stronger policy might not actually have been decided on. This speculation arose from (1) unconfirmed reports that Generalissimo Chiang Kai-shek had made promises in this regard prior to his liberation (December 25) from detention at Peking, (2) apparently authentic reports that negotiations, which in part concerned China's Japanese policy, were in progress for some sort of understanding between the National Government and Chinese communist leaders, and (3) reports that General Chang Ch'ün, who belongs to the so-called pro-Japanese group in the National Government, would be replaced as Minister for Foreign Affairs² in order to conciliate those elements urging a stronger policy toward Japan. It seemed probable, however, that, in the absence of renewed aggression by Japan, China's Japanese policy would show no change other than, perhaps, a greater degree of determination. Foreign observers were apprehensive that such determination might be carried to excessive lengths in case Japan should adopt a conciliatory policy.

b. Japan's policy toward China:

Progress in Sino-Japanese relations seemed to admit clarification and, possibly, unification of Japan's policy toward China. These were apparently not achieved during February. However, Chinese hopes that Japan might adopt a moderate policy became stronger. This was

in

2. Paragraph 10 of Peking's telegram 07, February 23, 2 P.M.

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

- 2 -

in part due to press reports from Tokyo of conciliatory statements by Japanese officials and to the absence during the month of an aggressive attitude on the part of the various Japanese authorities. Also, the Chinese were inclined to regard the transfer to Japan proper (effective March 1) of Lieutenant General Keishiro Itagaki, Chief of Staff of the Kwantung Army and the most influential Japanese in aggression on the mainland, as an effort on the part of the moderate military authorities at Tokyo to gain a more effective control over the semi-independent Kwantung Army.³ According to one Japanese source, the transfer was a disciplinary measure resulting from Itagaki's share in the fiasco of November and December in Suiyuan Province.) The cooler feeling of the Chinese was indicated by (1) the absence of apprehension over the routine annual replacement of troops of the Japanese North China Garrison at the close of the month⁴ and (2) the absence of exaggerated reports arising out of the visit to Hanking (February 7 to 24) of the Japanese Ambassador, Mr. Shigeru Kawagoe. Presumably reports in reference to Mr. Kawagoe's visit did not arise because it seemed apparent that significant negotiations could not take place until the situation in Tokyo had become more stabilized.

c. Japanese attitude toward the attendance of
Generalissimo Chiang Kai-shek's representatives at
the United Nations Session:

122

3. Embassy's telegram 70, February 26, 5 p.m. (Paragraph 3.)
 4. Embassy's telegram 74, March 2, 4 p.m.

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

- 4 -

The attendance at the Third Plenary Session of General Ch'in Ieh-shan, the Mayor of Peiping, as representative of General Sung Cho-yuen, the Chairman of the Hopai-Chahar Political Council, allegedly displeased⁵ the Japanese military, presumably because General Ch'in's attendance indicated a closer degree of union between General Sung and the National Government than the Japanese military regarded as desirable. Additional cause for displeasure was the report of the semi-official Central News Agency that General Ch'in had stated that General Sung Cho-yuen was determined to uphold the political and administrative integrity of China.

General Sung's representation at the Third Plenary Session resulted in Japanese news agencies' expressing apprehension⁶ that the National Government would decide at the session to take measures to expand its influence in North China, in such respects as: (1) recovery of control of the demilitarized area of east Hopai, (2) recovery of control of Chahar Province north of the Great Wall, (3) abolition or reorganization of the Hopai-Chahar Political Council, and (4) appointment of General Sung Cho-yuen to a post at Nanking.

Although the question of extension of the National Government's control in North China was presumably discussed at the Third Plenary Session, it was doubtful that any decision to take action was made. Such extension would seemingly await the prior consent of the

Japanese

5. Paragraph 8, Embassy's telegram 71, February 23, 2 p.m.
 6. Paragraph 1, Embassy's telegram 61, February 15, 6 p.m.

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

- 5 -

Japanese, and that consent would be obtained, if at all, only in return for significant concessions.⁷

d. Sino-Japanese cooperation in North China:

Although General Lung Hsi-yuan was in Tientsin throughout February and reputedly continued to have conversations with the commander of the Japanese North China Garrison, there was no evidence of progress in the various plans of the Japanese for economic cooperation with the Hebei-Shanai Political Council. There continued to appear in the press such hopeful reports as the establishment in the future at Tientsin of Japanese cotton mills, a paper mill, a bus works, and a work shop for the manufacture of motor car parts, as well as the establishment at Chinwangtao, north of Tientsin, of a large cigarette factory.

e. No significant Sino-Japanese incidents:
 aftermath of the March 1st Incident;
 Visit of Vice Admiral Hasegawa:

Incidents, occurring during February and involving Japanese and Chinese, were not made, as they have frequently been made in the past, a pretext for a display of Japanese displeasure or diplomatic pressure. Incidents in February included the stabbing on February 13 of a Japanese woman at Hankow and a strike (February 20 to 24) of some 4,500 workers in Japanese cotton mills at Shanghai. The press reported the execution (February 26) of a Chinese who had been arrested on January 4 at Changchow, Kwanan Province, on the charge of planning disturbances in North China. Three Japanese had been arrested at the same time and turned over to the Japanese authorities.

When

7. Embassy's telegram 61, February 15, 6 p.m.

- 6 -

When Vice Admiral Kiyoshi Hasegawa, the recently appointed commander of the Japanese Third Fleet, visited North China during February, there was no repetition of the insulting behavior which he had experienced from Peking officials in January during his visit to that province.

f. Altered leadership situation in East Hanoi:

Rumors were current that Tin Ju-kung, the "Governor" of the "East Hanoi Anti-communist Autonomous Government", might resign in the near future because (1) he had not yet enough money for retirement, (2) he had been ill-treated by the Japanese, and (3) the Japanese preferred as "Governor" Tin's more able assistant, Ch'ih Tsung-ao. Ch'ih, who is Tin's Secretary General and also Chief of the Diplomatic Bureau of the regime, has for some time been known as the real Chinese administrator of the area.

g. Japanese fear of communism in North China:

Japanese interest in the question of cooperation with General Sung Cho-yuan against communism did not appear to be active during February, although the Japanese military were undoubtedly concerned about the reports of possible reconciliation between the National Government and the communist forces, which are now concentrated largely in Shanai Province. Presumably the Japanese military were pleased that General Sung presented a proposal to the Third Plenary session that

Continued

h. Canton's monthly report for January.

1364

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

- 7 -

communism in China be fundamentally suppressed. They were not visibly perturbed by reports of a threat to Shensi Province by communist forces in Shensi and of communist activities in east Hopedai.

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

793.94

DOCUMENT FILE

NOTE

SEE 894.00 P.R./111 FOR #2314

FROM Japan (Grew) DATED March 17, 1937
TO 8 NAME 1-1127 o r o

REGARDING: Sino-Japanese relations: Developments of the month of February, 1937 - Further evidence that Japan was contemplating an alteration of its former aggressive policy toward China and the adoption of conciliatory tactics with a view to arriving at some sort of an economic rapprochement.

FRG.

793.94/3582

7582

0361

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

793.94
(a). China.

There was further evidence during the month that Japan was contemplating an alteration of its former aggressive policy toward China and the adoption of conciliatory tactics with a view to arriving at some sort of an economic rapprochement.* A report in the ASAHI of February 6 stated that the Army hoped that Japan's diplomacy toward China would tend toward a strengthening of economic cooperation based on racial harmony.** In his speech before the Diet on February 15 Premier Hayashi said that it was urgently necessary to cultivate cordial feelings between the two countries, to foster mutual appreciation, to bring about closer contact not only between the two Governments but also between the two peoples, and to achieve in more concrete form "cooperation and mutual assistance". Many of the interpellations made by members of the Diet urged the adoption by the Government of a more sympathetic attitude toward China and Premier Hayashi's replies lent weight to the conciliatory expressions contained in his speech of February 15.*** The

Japanese

* Monthly report for January, Section II (a).

** Embassy's despatch No. 2266 of February 16, 1937.

*** Embassy's despatch No. 2281 of February 25, 1937.

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

- 6 -

Japanese press reported that the Government would abandon its political desiderata with regard to China and would in future pursue two aims, both economic in character: the reduction of the Chinese tariff and the establishment of an air service between Japan and China.

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

12-1

TELEGRAM RECEIVED

McL

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

FROM

Peiping.

Dated April 13, 1937.

Received 7.40 a.m.

Secretary of State,
Washington.

119, April 13, 2 p.m.

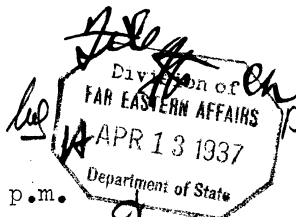
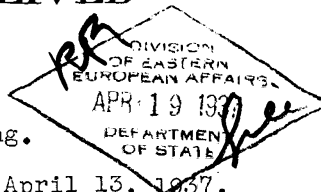
Reference Embassy's 73, March 2, 3 pm, / 8526

One. The informant mentioned in that telegram returned a few days ago from a three weeks visit to Nan-king, Hangchow and Shanghai where he conversed with Chinese leaders. His views, expressed in confidence last evening, presumably reflect those of an important element in the Government. His statements are given in paragraph two to four inclusive.

Two. There is little or no hope that Japan will adopt a reasonable or sane attitude toward China. China will continue to prepare for eventual and almost inevitable conflict with Japan. China will take no aggressive step, will not, for example, attempt to recover East Hopei. China expects material assistance from Great Britain and Russia. Meanwhile China will try to improve the economic conditions of the people, which is China's most important problem. (end of section one)

LOCKHART.

KLP



of paraphrase
COPIES SENT TO
O.N.I. AND M.I.D.
in strict confidence

755.54/8585

F/19

1364

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

12-2

TELEGRAM RECEIVED

1-1336

FROM

KLP

Special Gray.

Peiping via N. R.

Dated April 13, 1937.

Received 8.40 a.m.

Secretary of State,
Washington.

119, April 13, 2 p.m. (Section Two)

Three. The friendship of Russia was shown by the order of the Third Internationale to Chinese Communist forces, when Chiang Kai Shek was detained at Sian, to take no (repeat no) action against the National Government. The Chinese Communist forces are being or have already been incorporated as a separate army under the National Government; so they are no longer a threat. They will presumably concern themselves with anti-Japanese propaganda. Important Communist position and attitude of the present leaders in Kwangsi, Shantung and Hopei. Important Communist leaders are to travel abroad.

Four. No change is expected with regard to position and attitude etc,

By mail to Tokyo.

LOCKHART.

0370

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

- 11111111

12-3

PARAPHRASE

STRICTLY CONFIDENTIAL

Section one of a telegram (No. 119) of April 13, 1937,
 from the American Embassy at Peiping reads substantially
 as follows:

A few days ago Dr. Chiang Monlin returned to Peiping
 after spending three weeks in Shanghai, Nanking, and Hang-
 chow where he talked with Chinese leaders. Presumably the
 views expressed by Dr. Chiang confidentially on April 12
 reflect the views of an important group in the National
 Government. Dr. Chiang's statements are set forth below.

It is considered unlikely that Japan will adopt a sane
 or reasonable policy toward China. China will continue to
 make ready for the conflict with Japan which is almost in-
 evitable. China will make no aggressive move, such as an
 effort to recover the East Hopei area. It is China's ex-
 pectation that Russia and Great Britain will give material
 assistance. China will attempt in the meantime to solve
 her most important problem which is improvement in the
 economic conditions of the Chinese people.

753.64/8583

FE:EGC

IV-14-37

FE

037
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

JR

1-1236

FROM GRAY

Peiping via N R

Dated April 15, 1937

Rec'd 7:30 a.m.

Secretary of State,
Washington.

COPIES SENT TO
O.N.I. AND M.I.D.

121. April 15, 4 p.m.

Embassy's 110, April 6, 7 p.m. 8570



793.94/3834

793.94
One. According to Japanese officials, the Mayor of Peiping has (a) apologized to the Japanese First Secretary for the searching by Chinese soldiers of Japanese travelling on the Pingsui Railway, (b) promised to punish those persons immediately responsible, and (c) promised non-recurrence. This occurred on April 6 and was presumably kept confidential on the Mayor requesting that the settlement be given no publicity.

Two. The Japanese military are reported to have protested to the Chinese authorities because of the cutting and stealing on April 7 of Japanese military telephone wires near Tientsin which the Japanese allege was done by Chinese. As in the case of the searching of Japanese on the Pingsui Railway, the Japanese protest was made only after the wires had been cut and stolen several times. It seems unlikely that this case will become important.

By mail to Tokyo.

LOCKHART

FILED
15 1937

F/FG

0372

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

13-1

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

April 19, 1937.

Under date April 19 the Embassy at Peiping transmits a telegram from the Consulate General at Mukden to the effect that an authoritative French military source has verified information reported in Mukden's strictly confidential despatch of March 19, 1937. This information reads:

"My informant states that in the Tsitsihar area (presumably the northwestern sector of the border) there are stationed at present two divisions of Japanese troops. This force, he declares, is to be augmented this spring by the addition of two more divisions, raising the total of Japanese troops in the Tsitsihar zone to 40,000, more or less. The reinforcements, it is said, are to be taken from South Manchuria and from Japan.

"Trenches are being dug, my informant declares, along the border. Supplies of food and munitions sufficient for three years of peace-time use are being stored in and behind the line of trenches."

The above-mentioned telegram also states that according to the French military source the two additional divisions, the second and fourth, are not replacements and that they are being sent from Japan to Manchuria.

The

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

13-2

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

-2-

The reinforcement of Japanese troops in Manchuria is in line with repeated statements of Japanese military leaders to the effect that it was necessary to strengthen Japanese forces stationed in that area in view of the concentration during the past few years of large Soviet Russian forces in eastern Siberia. The Tsitsihar area, referred to above, is in the northwestern part of Manchuria and has direct rail communication with the principal cities on both the northwestern and northern borders.

W. M. H.
FE:MSM:WCI

0374

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

13-3

TELEGRAM RECEIVED

JS
This telegram must be
closely paraphrased be-
fore being communicated
to anyone (A)

PEIPING
FROM
Dated April 19, 1937

Rec'd 12:01 a.m.

Secretary of State,
Washington, D.C.

COPIES SENT TO
O.N.I. AND M.I.D.

124, April 19, 11 a.m.

The following message has been received from Mukden:

"April 17, 11 a.m. My despatch No. 16, March 19th.

Information contained in second and third paragraphs
is verified by authoritative French military source
which adds that second and fourth divisions are being
sent from Japan to Manchuria not (repeat not) as
replacements.

Repeated to Tokyo.

LOCKHART

JS



793.94/8585

APR 24 1937

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

(CONFIDENTIAL)

13-4

PARAPHRASE

A telegram (No. 124) of April 19, 1937, from the American Embassy at Peiping quotes a telegram of April 17, from the Consul General at Mukden which reads substantially as follows:

An authoritative French military source has verified information reported in a despatch (No. 16) of March 19 to the effect that in the Tsitsihar area there are stationed at present two divisions of Japanese troops; that this force is to be augmented by the addition of two more divisions; that the reinforcements are to be drawn from South Manchuria and Japan; that trenches are being dug along the border; and that supplies of food and munitions sufficient for three years of peace-time use are being stored in and behind the line of trenches. According to the above mentioned French source, there are being sent to Manchuria from Japan, not as replacements, the second and fourth divisions of Japanese troops.

793.94/8585

29C
 FE:EGC

FE

m/m/v

IV-20-37

3376

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

14-1

COPIES SENT TO
O.N.I. AND M.I.E.

DEPARTMENT OF STATE
1937 APR 19 AM 11 35

AMERICAN CONSULATE GENERAL

Mukden, Manchuria, March 19, 1937.

COPIES
OF
COMMUNICATIONS
AND
ATTACHED

SUBJECT: Concentrations in Northwest Manchuria.

THE HONORABLE

THE SECRETARY OF STATE

WASHINGTON.

SIR:

I have the honor to enclose herewith a copy of
my despatch No. 96, Confid. No. 16, dated March 19,
1937, to the Embassy, Peiping, China, entitled "Con-
centrations in Northwest Manchuria".

Very respectfully yours,

Wm. R. Langdon

Wm. R. Langdon,
American Consul.

Enclosure:

Copy of despatch No. 96, Confid. No. 16,
to the Embassy, Peiping, China, as stated.

820.02
FGL

4 Carbon Copies

Received *11/1/41*

F/G

0377

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

14-2

No. 96
Confid. No. 16

AMERICAN CONSULATE GENERAL,

Mukden, Manchuria, March 19, 1937.

STRICTLY CONFIDENTIAL

SUBJECT: Concentrations in Northwest Manchuria.

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Peiping, China.

Sir:

As perhaps indicating the strength of Japanese troop concentrations and Japanese defense preparations on the "Manchukuo"-U.S.S.R. border, I have the honor to report information confidentially volunteered by a source connected with the Kwantung Army.

My informant states that in the Tsitsihar area (presumably the northwestern sector of the border) there are stationed at present two divisions of Japanese troops.* This force, he declares, is to be augmented this spring by the addition of two more divisions, raising the total of Japanese troops in the Tsitsihar zone to 40,000, more or less. The reinforcements, it is said, are to be drawn from South Manchuria and from

* Corroborated by another and reliable source.

Japan

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

14-3

- 2 -

Japan.

Trenches are being dug, my informant declares, along the border. Supplies of food and munitions sufficient for three years of peace-time use are being stored in and behind the line of trenches.

This office is unable to pass on the accuracy of the information supplied. It may be said, however, that the report would seem to be in accord with the Kwantung Army's expressed aim of augmenting its strength to at least one half * of that of the Soviet Far Eastern Army, now alleged to be over 300,000. The northwestern frontier is an extended and important sector. Viewed within the framework of the Kwantung Army's expansion program, the claim that some 40,000 Japanese troops are to be concentrated in the Tsitsihar area does not seem extravagant. To what extent this force is and will be equipped with artillery, tanks and aircraft is unknown.

No large movements of troops are known to have taken place recently through Mukden. It is quite possible that detachments dispatched from Japan for northern, western and eastern Manchuria land at Seishin or Rashin, Chosen, and proceed to their details by way of Tumen (圖們) or Tunhua (敦化).

The report that a system of trenches is being constructed, if true, can perhaps be interpreted by military men. To my mind the statement appears to be inconsistent with the strategic dictates of the "Manchukuo"-Siberian

* Mukden's Political Review, May, 1936, page 4.

border

0379

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

14-4

- 3 -

border.

Very respectfully yours,

Wm. R. Langdon,
American Consul.

Five copies to the Department by despatch No. ---
dated March 19, 1937.

Copy to the Embassy, Tokyo.

Copy to the Embassy, Nanking.

Copy to the Consulate General, Harbin.

Copy to the Commander-in-Chief, Asiatic Fleet.

820.02
JD:fgl

A true copy of
the signed orig-
inal.

AF

0380

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

TELEGRAM RECEIVED

BC

1-1336

Gray
FROM
Nanking via NR
Dated April 19, 1937
Received 11:25 AM

Secretary of State,
Washington,

COPIES
O.N.I. AND

FOR EASTERN AFFAIRS
APR 19 1937
Department of State

167 April 19, noon. (Section one)

One. According to the press Kawagoe will proceed May 2 to Tokyo to "report on Sino-Japanese negotiations of the past year." He gave an interview to the semi-official Central News Agency, Nanking, April 15, which has caused some comment in vernacular papers and this, together with his forthcoming departure, is apparently responsible for Japanese press despatches from Nanking outlining a "six point program" which he reputedly will place before the Japanese Foreign Office. The Embassy believes that these reports give a ~~far more~~ ^{fairly} accurate picture of the present state of Sino-Japanese negotiations and relations.

Two. In the interview Kawagoe reputedly stated (1) while there is some ground for the Chinese stand that removal of political obstacles must precede discussion of Sino-Japanese economic rapprochement, economic cooperation

793.94/3537

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

15-2

Page 2 from Nanking No 167

cooperation may also lead to settlement of political differences; (2) there is no truth in the belief that Japan expects through an economic rapprochement to unfold her political program by acquiring necessary raw materials from China; (3) economic cooperation will benefit both countries and help maintain the people's livelihood in China and Japan; (4) he had only newspaper information concerning possibility that Kodama (head of recent Japanese Economic Mission) might be appointed Ambassador to China but there were certain groups in Japan favoring the appointment of economic leaders to diplomatic posts and if this proposal is adopted Kodama would be an ideal choice for China; (5) outward smuggling of copper coins by Japanese subjects is a problem which can be settled if Chinese authorities in various localities approach Japanese officials for necessary assistance, but smuggling in North China is due to special conditions and cannot be regarded in this light; (6) the East Hopei regime is theoretically a domestic issue for China but personally he hoped that by the time general Sino-Japanese relations are amicably readjusted, Japan would be able to hold negotiations on the matter with China and give a certain degree of help.

(Section two follows)

JOHNSON

KLP CSB

1382

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

15-3

TELEGRAM RECEIVED

RR

GRAY

1-1336

FROM Nanking via N. R.

Dated April 19, 1937

Received 12:10 p. m.

Secretary of State,
Washington.

167, April 19, noon. SECTION TWO.

Three. The "six points": (1) Following liquidation of the Liangkuang crisis and the Sian revolt the Chinese Government is driving with full force toward national unification; (2) while there is no warrant for Chinese hopes of a complete removal of the existing deadlock in Sino-Japanese relations, Japan should concur in Chinese hopes to a certain extent while insisting on seeking practical benefits; (3) Sino-British economic collaboration, proceeding with extraordinary tempo and magnitude, is an expression of British policy towards the Far East in General and China in particular, and hence should receive Japan's full attention; (4) Japan should not look upon China's five year economic reconstruction plan with indifference; (5) it is necessary to readjust and replenish the front of Japanese economic activities in the same manner, systematize the various organs established in China by different Japanese ministries and organize a sort of "economic embassy" as their controlling organ;

(6)

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

167 April 19, noon, from Nanking

15-4

-2-

(6) Japan should negotiate sympathetically with China in connection with China's expected demand for abolition of extraterritoriality.

Four. The vernacular press criticizes Kawagoe's statements on grounds that (1) Japanese desire for national economic cooperation has as motive the avoidance of a wholesale settlement of political questions; (2) a "American policy form" of economic penetration has already been fitted to Peiping, Tientsin, Shensi and Shantung and settlement of economic questions favorable to Japan (construction of the Tsangchow-Shihchiachuang Railway, exploitation of the Lungyen iron mines, establishment of air traffic between China and Japan, purchase of cotton mills, cultivation of cotton, development of harbors, purchase of Changlu salt at reduced prices, reduction of import tariff, et cetera) will give Japan a firm grip on China; (3) ~~the statement~~ that smuggling in North China is a domestic problem is irresponsible since the motive behind organized smuggling is to force reduction of Chinese tariffs; (4) similarly Japan is attempting to use the East Hopei regime as a lever to force settlement of Sino-Japanese relations "as a whole"; (5) the statement that "special conditions" obtain in North China is untenable since North China is an integral part of China.

Five. By mail to Peiping, Shanghai, Tokyo.

IPD

JOHNSON

0384

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

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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



THE FOREIGN SERVICE
 OF THE
 UNITED STATES OF AMERICA

RECEIVED
 DEPARTMENT OF STATE

1937 APR 10 PM 2 20

AMERICAN EMBASSY
 Tokyo, April 2, 1937.

793.94

No. 2345.

SUBJECT: SINO-JAPANESE RELATIONS.

Grade	For Distribution Check	By	Yes	No
For		in U.S.A.	<input checked="" type="checkbox"/>	<input type="checkbox"/>

793.94/3533

Copy in FE(381)
 APR 20 1937
 Department of State
 B
 J. M. C.

MAY 4 - 1937

FILED

The Honorable
 The Secretary of State,
 Washington.

Sir:

I have the honor to report that although the Japanese Government has manifested no intention of retracting its pronouncement in favor of a more conciliatory policy toward China, nothing definite has been accomplished in the way of rapprochement, either political, economic, or cultural, since the Embassy's last despatch on Sino-Japanese relations was written.* In fact, judging from

* Embassy's despatch No. 2317, March 18, 1937. Japanese

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

-2-

Japanese press reports, the visit of the Japanese Economic Mission to China has done harm as well as good, since controversial political matters are said to have been brought to the fore during the visit.

The Minister for Foreign Affairs has reiterated in recent statements his announced policy of treating China as an equal. For example, on March 23 he said that patience must be exercised in dealing with China and that diplomatic negotiations between the two countries must be on the normal footing recognized by international law.*

Nevertheless, the influence of the military may be seen in certain qualifying and explanatory statements that Mr. Sato has made in the Diet regarding Sino-Japanese relations. He stated that since there were "special and peculiar circumstances" in North China, Central and South China must be dealt with in a different way; that the East Hopei and Hopei-Chahar administrations had been established because of special conditions existing in North China and hence were not a matter for discussion with Japan, although they might be discussed in future negotiations; and that the question of Japan's "special trade" (smuggling) in the East Hopei region was a concern of East Hopei and should not be discussed with Japan, but that Japan would consider it in connection with Chinese tariffs.

According to Japanese news despatches from China, the Japanese Economic Mission was cordially received in that country but plainly given to understand that there could be no hope for an economic rapprochement without an amelioration

of

* Embassy's telegram No. 95, March 24, 1937.

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

-3-

of political relations. While editorials in the vernacular press described the Mission as a failure, Mr. Kenji Kodama upon his return to Japan on March 28 expressed optimism over the results of his Mission's visit. Obviously as a result of the Japanese Economic Mission's failure to achieve concrete results in China, the Tokyo Chamber of Commerce and Industry called a meeting on March 25 of military, financial, and political circles interested in China to seek their opinion on future policy toward that country. According to Domei of March 26, the following four decisions were reached at the meeting: Japan must deal with China more firmly because the changed attitude toward China has encouraged that country to overestimate its national strength and to "go too far"; there must be national unity of opinion in Japan before any definite policy toward China can be formulated; it would be useless for Japan to pursue its North China policy at present, as this would only increase Chinese misunderstanding of Japan; and Sino-Japanese economic cooperation is impossible unless political difficulties are solved beforehand.

There is little doubt that the Japanese Government is desirous of achieving its aims in China through a more friendly policy. However, there are various obstacles which must be overcome before this objective can be attained: the inherent lack of "racial harmony" allegedly counted on by the Japanese Army;* the prevalent feeling of the Japanese that the Chinese are incapable of understanding Japan's "true motives" and can only appreciate force; and the apparent tendency

* Embassy's despatch No. 2266, February 16, 1937.

1388

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

-4-

dency on the part of the Chinese to become overconfident
whenever there is a relaxation in Japan's pressure on them.

Respectfully yours,



Joseph C. Grew.

710
GDA:C

Copy to Embassy, Peiping;
" " " Moscow.

0385

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

April 22, 1937.

~~WFB~~
~~MSM~~
~~ICV~~
~~WCH~~

Nanking's 380, March 16, 1937, transmits a memorandum of a conversation held on March 15 between Secretary Atcheson and the First Secretary of the U.S.S.R. Embassy at Nanking giving the "views of the U.S.S.R. Embassy on present Japanese policy toward China."

The First Secretary remarked that his Government did not believe Japanese policy toward China had altered, except temporarily, because the military were still in control of the Japanese Cabinet and the new Japanese Foreign Minister, whose address of March 8 before the Diet had raised hopes of a policy of moderation, would shortly be eliminated.

744
 FE:HES:VOI

0390

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
Nanking, March 16, 1937.

72
EE

No. 380.

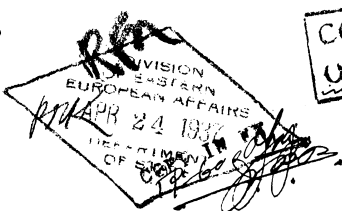
CONFIDENTIAL.

Subject: Views of the U.S.S.R. Embassy
on present Japanese policy toward
China.

793.94

1937 APR 19 PM 2 58

COMMUNICATIONS
AND RECORDS



COPIES SENT TO
O.N.I. AND M.I.D.

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3mmc
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st.

793.94/8589

File

The Honorable
The Secretary of State,
Washington.

APR 30 1937

FILED

Sir:

1/

I have the honor to enclose a memorandum of re-
marks made last evening to an officer of this mission
by the First Secretary of the U.S.S.R. Embassy who
has been in charge of the Soviet Embassy at Nanking
for the past five months during the absence of Amba-
sador Bogomoloff in Soviet Russia. Among other things,
the Soviet First Secretary remarked that his Government

F/B

did

11

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

- 2 -

did not believe Japanese policy toward China had altered, except temporarily, because the military were still in control of the Japanese Cabinet and the new Japanese Foreign Minister, whose address of March 8 before the Diet had raised hopes of a policy of moderation, would shortly be eliminated.

Respectfully yours,



Nelson Trusler Johnson

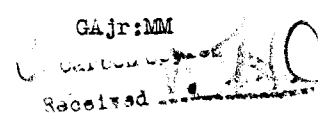
✓
Enclosure:

1. Memorandum
March 16, 1937

Original and four copies to Department
Copy to Peiping
Copy to Tokyo
Copy to Moscow (through the Department)

710 S-J

GAjr:MM

Received 

0392

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

MEMORANDUM OF CONVERSATION.

Nanking, March 16, 1937.

CONFIDENTIAL.

Subject: Japanese Policy toward China.

Mr. Gregory Melamed, First Secretary of the
U.S.S.R. Embassy.

Mr. Acheson.

Mr. Melamed, who has been in charge of the Nanking office of the U.S.S.R. Embassy during the past five months in the absence of the Ambassador in Soviet Russia, engaged me in conversation concerning Japanese policy toward China at a dinner at his residence last evening. He said that he did not think the recent statement of foreign policy by the new Japanese Foreign Minister, Mr. Sato, made before the Diet March 8, portended any real or lasting change in Japanese policy toward China, because the military still remained in control of the Japanese Cabinet and Mr. Sato would shortly be eliminated. He said it was the view of his Government that the Japanese Government, and even the Japanese military, did not at this time wish to become involved in any major military hostilities; the Japanese had learned that the Soviet Union definitely was not afraid of them and recently, since September 1936, they had learned that the Chinese were no longer to be coerced merely by demands and threats. He felt that there was a great deal of internal dissension in Japan, but criticism

of the

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 -

of the Army had not destroyed the Army's predominant power and the Army had lost so much face over China because of the failure of the belligerent policy toward this country and the success of the Chinese in repulsing the Japanese-directed "bandits and irregulars" which invaded Suiyuan in November, 1926, that it was determined to regain that face eventually. He mentioned the aims of Army leaders such as Honjo and Araki, and Itagaki who represents the spirit of the Kwantung Army. The present quiet in Sino-Japanese difficulties was accordingly, in his Embassy's opinion, merely temporary.

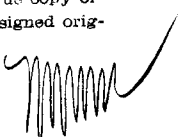
George Atcheson, jr.,
 Second Secretary of Embassy.

Five copies to Department
 Copy to Embassy, Peiping
 Copy to Embassy, Tokyo
 Copy to Embassy, Moscow (through the Department)

710. S-J

GAjr:MM

A true copy of
 the signed original



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

[Handwritten initials]

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

4/27/37.

~~NSM~~
~~ICV~~
~~MMH~~

Peiping's No.1155, 3/27/37, entitled
 "Sino-Japanese Economic Cooperation in
 Shantung: the Shantung Industrial Company,"
 adequately digests its enclosure. If further
 interested please note marked passages of
 the enclosure.

To my personal knowledge the Shantung
 Government has been trying to enter into
 business on its own (either direct, as in
 the case of the pawnshops, or indirectly
 through such a "holding company" as des-
 cribed) for a number of years. The "hold-
 ing company idea was temporarily abandoned
 in 1935 because private Chinese capital was
 not forthcoming and because Chinese technical
 personnel was not available or, if available,
 was incompetent, particularly in respect to
 developing the mines.

MS
 FE:HES.

139

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



EMBASSY OF THE
UNITED STATES OF AMERICA

No. 1155

Peiping, March 27, 1937.

Subject: Sino-Japanese Economic Cooperation
in Shantung: the Shantung Industrial
Company.

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DIVISION OF
TREATY AGREEMENTS

OFFICE OF ECONOMIC ADVISER
APR 30 1937
DEPARTMENT OF STATE

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

Sir:

1/
I have the honor to enclose a copy of despatch
No. 41 of March 19, 1937, addressed to the Embassy
by the Consulate at Tsinan, which describes the or-
ganization and aims of a company which may be formed
in Shantung with Chinese capital and personnel for
the development of natural resources in that pro-
vince. It is stated that, if established, the pro-
posed company would first reorganize a certain cotton
mill, take over the supervision of a certain coal min-
ing company, and establish pawn shops in various parts
of the province. The probability of the eventual

establishment

793.94/8590

FILED

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

- 2 -

establishment of this company has been enhanced by Chinese apprehension at Japanese desire to participate in the economic development of Shantung. Three instances are given in the despatch of Japanese efforts to obtain some share in economic activities in Shantung, these efforts being so far unsuccessful.

Respectfully yours,

For the Ambassador:


Frank P. Lockhart
Counselor of Embassy


✓
Enclosure:

Tsinan's despatch No. 41,
March 19, 1937.

Original and 2 copies to Department.
Copy to Embassy, Nanking.
Copy to Embassy, Tokyo.

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LES-SC

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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

No. 41

ENCLOSURE No. 1
 TO DESPATCH No. 1155

Shantung, 1927.

CONFIDENTIAL

Subject: The Shantung Industrial Company and
 Sino-Japanese Economic Cooperation
 in Shantung.

The Honorable

Melvin Charles Johnson,
 American Ambassador,
 Beijing.

Sir:

I have the honor to refer to the political reports submitted by this office for the months of January and February in which mention was made of plans for the formation of an industrial company with head office at Tsinan, the object of which would be the development of the natural resources of Shantung, and to submit herewith the substance of a recent conversation with Mr. Chang Pang-lien (張鴻烈), Reconstruction Commissioner of Shantung, under whose direction plans for the company are being made.

According to Mr. Chang the aim of this company, the final launching of which awaits only the formal sanction of the Provincial Political Council, is to develop the natural resources of the Province with Chinese money and with Chinese personnel. In addition to purely industrial enterprises the company hopes also to be able to bring financial assistance to citizens of the Province who may

be

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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be in temporary need. > The fundamental reasons back of the formation of the company will be discussed further on.

As announced in the press the company is to be organized with a capital of ¥200,000,000, half to be furnished by the Provincial Government and half to be furnished by private businessmen and capitalists. Mr. Chang stated that there will be a Board of Directors composed of twenty-five persons, thirteen representing the government and twelve, the people. The Board of Directors will appoint the management and decide on the various lines of activity to be pursued. As yet there have been no definite appointments to the staff of the company nor has there been made any real attempt to raise that portion of the capital to be provided by the people. > The Provincial Government has obtained a loan from the Sin Sheng Bank of ¥110,000,000 with which to commence operations. < The company, then finally organized, will not take part directly in the various enterprises contemplated, but will act somewhat as a managing company which will supervise the operation and provide additional needed capital for independent organizations already in existence.

The company, according to Mr. Chang, will shortly begin operations using the money raised by the Provincial Government, and in the beginning will confine its operations to three enterprises. These will each be explained briefly.

The Lu Feng Cotton Mill which failed during the past year will be reorganized, > a certain amount of new equipment will be purchased, and it is hoped that the mill will be able to resume operations on a large scale.

The

- 5 -

The operation of the Hua-shan Ch'ien-chi Coal Mining Company (華寶謙記煤礦公司), located in the village of Chen Yu (沈禹村) near Tainan (泰安) will be supervised by the new company. > Mr. Chang stated that this company had been in difficulties for some time and that the central government at Nanking had instructed the Shantung government to tell the mining company that it would be given two months to straighten out its affairs and that if this could not be done the provincial government was to take charge. The two months have now expired and as no improvement had been shown, the Shantung Industrial Company will assume charge. One of the first things which will be done, according to Mr. Chang, is the construction of a branch railway line connecting the mine with the Tsinan railway at Telen, a distance of between thirty and forty li. During 1935, the mine is said to have produced nearly 10,000 tons of bituminous coal and it is hoped that this amount can be substantially increased.

The third enterprise to be entered into by the new company will be the extension of the Yu Lu (裕魯) Pawnshop, now operating under provincial government auspices in Tainan, to other sections of the province. > Mr. Chang said that prior to 1934, practically all the pawn shops in Tainan were in the hands of Japanese and that there were several hundred of these shops in the city. In 1934, General Hun had the Provincial Government appropriate ¥300,000 for the establishment of a government pawnshop with headquarters inside the city itself and a branch in the settlement area.

Since

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

- 2 -

Since that time the business of the Japanese shops has greatly declined and it is believed that there are only about fifty Japanese shops still carrying on business. It is now planned to establish branches of this shop throughout the province so that the people will have some safe place where they can store their temporary gains to tide them over periods of need.

It really is a question as to what purpose the establishment of such an organization at this time, Mr. Chang said that the Manchurian Government had for long years wanted to do something to encourage the development of the natural resources of the province but that it had delayed because of lack of funds. Recently it had become evident that the Japanese were taking a more lively interest in the economic development of the province and was invited to have a part in this development. <The talk of broad economic cooperation in North China sounded all right and under different conditions should be a very good thing. However, the Chinese people could not trust the Japanese to confine their activities to the economic field, and it was because of this that it had been decided that the Government must take some steps forward in building up the industries of the province so that they would not fall into the hands of the Japanese. > Mr. Chang said that there would be no objection on the part of the Chinese to obtaining capital from America or Europe for the development of the resources of the province but that if they accepted capital from the Western nations the Japanese would make difficulties and demand to be allowed to furnish funds also. It was therefore, better to make the project an entirely indigenous one with only Chinese money and Chinese personnel being used.

Mr.

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

- 5 -

Mr. Chang went on to give three recent instances where the Japanese had attempted to obtain some share in economic activities within Mantung. The first of these was the attempt to organize a large joint Sino-Japanese cotton mill in Tainan. According to him, a Japanese business man came to him proposing the establishment of such a mill in Tainan, saying that because of the proximity of Tainan to the cotton producing centers such a mill would be a profitable venture and be beneficial to both China and Japan. He went on to say that General Yen had promised the Japanese that he would approve the project. Mr. Chang pointed out that General Yen must have been misunderstood for inasmuch as the proposed mill was to be located in an interior city it would be necessary to have the permission of the Central Government before such a foreign sponsored enterprise could be established. General Yen could not give permission without first referring the matter to Nanking. "And, of course, Nanking will not approve" added Mr. Chang in telling the story. From other sources the Consulate has learned that the Japanese have been trying to establish a cotton mill in Tainan for some time but without success as yet. The attitude displayed by Mr. Chang offers an explanation of their failure.

A second instance of Japanese activity was when the Japanese Consul General called recently upon the Provincial Government in company with several of his nationals to urge the government to use its influence to persuade the Tainan Electric Works to purchase Japanese equipment when and if it carries out its rumored plans to install a new 7500 volt

dynamo

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

- 6 -

dynamo. Mr. Chung said that, of course the Japanese could submit a bid if they so desired, but it would have to be left up to the company to purchase the equipment best suited to its needs. Even though the Japanese product was less expensive it was not believed it would last as long as an American or German product and in the long run it was usually more expensive to buy Japanese goods of that type. Mr. Chung added to the writer that he was certain the electric company would not buy Japanese equipment.

The third instance mentioned was the attempt of the Japanese to obtain permission from the provincial authorities to establish a Japanese trucking company which would be allowed to use the provincial roads between northern Chantung and Tsinan, ostensibly for the purpose of transporting cotton from the fields to factories in Tsinan and to the railway where it could be shipped to Tientsin. General Yen is said to have seen no objection to this at first but it was pointed out to him that if the Japanese trucks were given permission to use the provincial roads and should later engage in smuggling, it would be very embarrassing. The Japanese request was refused.

What success the Chinese will have in developing Chantung natural resources through the medium of the Chantung Industrial Company is problematical. > A great deal will depend upon the success achieved in raising the necessary capital and on the obtaining of efficient and trained personnel to carry out the plans formulated by the Board of Directors. It is believed that the lack of trained workers

will

0406

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

- 7 -

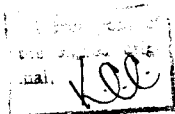
will be the chief impediment to the successful operation of the company. Whether or not the company succeeds in its appointed tasks it is believed to be of some significance that the authorities of Chantung have evinced the desire for, and have made the first steps toward the development of the natural resources of the Province on an independent basis rather than allow Japan to gain further footholds in Chantung. What the Japanese reaction will be is unknown, but it is believed that the local Chinese are counting on the present internal troubles of Japan providing a breathing spell as far as further action in North China is concerned, and are hoping to have made some real progress in improving their position before Japan again marches on.

Respectfully yours,

John M. Allison,
American Consul.

Original and 5 copies to
Embassy, Peking.
Single copy to Embassy, Nanking.
Single copy for information of
Consulates, Tsingtao and Chefoo.

850
JMA:KCC



1404

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

16-1

FE

TELEGRAM RECEIVED

JR

1-1836

PLAIN

FROM Nanking via N R

Dated April 20, 1937

Rec'd 11:25 a.m.

Secretary of State,
Washington.

COPIES SENT TO
O.N.I. AND M.I.D.

793.94/8541
APR 22 1937
EASTERN AFFAIRS
DEPT. OF STATE

170, April 20, 11 a.m.

China press today carries following Domei article.

Domei Tokyo April 19.

"Formulation of a 'stable' China policy was urged upon the Government today by Mr. Tasuo Kawai, the newly appointed director of the Gaimushos Information Bureau on his arrival here from Shanghai where he served as Consul General.

'Retarded in her economic development, China is financially becoming a modern state', declared Mr. Kawai.

'An important feature of this process is the Nanking Government success in bringing under its sway, direct or indirect, the nation's economic structure.

Nanking today directly controls the financial and the more important industrial activities. It is also gradually extending its control over trade and other fields of economic endeavor.

Therefore", Mr. Kawai asserted, 'if we desire to achieve

Sino

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

16-2

-2-

JR #170, April 20, 11 a.m., from Nanking via N R.

Sino Japanese economic cooperation, we must deal directly with the Central Government.

It follows', he added ' that positive efforts must be made to readjust the political relations between the two countries at the earliest possible opportunity'".

Sent to the Department; by mail to Peiping.

PECK

RR

0406

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

DECLASSIFIED
 E.O. 11652, Sec. 3(E) and 5(D) or (E)
 Date: May 3, 1972
 NARS Date: 3/14/73

G-2 Report

3820

Subject:

JAPAN (CHINA)

CHINA POLICY AND TENDENCY

1. There follows a translation of an article entitled "Japan must teach the Chinese people she has no aggressive design," by Lt. Gen. Kenji Doihara, which appeared in the "Hungei Shunju" for March 1937. The author is a recognized Japanese military authority on China, well known for his activities in Manchuria and Korea China, and the opinions he expresses are typical of those voiced by other China specialists of the Japanese Army. The article is interesting and timely in view of indications, noted during the past six months at least, of a tendency for Japan's China policy to moderate and lose some of its overbearingness.

2. In order to find the way out of the present grave impasse with which the Sino-Japanese relation is confronted, it is necessary for us to study what has made the sentiment of the two peoples so aggravated against each other. In short, the situation is caused by the fact that Japan's real attitude toward China has not been clearly understood by the Chinese people and that Japan has unnecessarily incurred misunderstanding and suspicion by them. The greatest cause of all is that Japan has allowed the Chinese people to believe that the Japanese conduct toward China since the Manchurian incident is an expression of aggressive design.

3. It is absolutely necessary for Japan to make the Chinese people understand thoroughly that she has no territorial ambition whatever toward China and at the same time enlighten them that the real menace which would precipitate their country to its downfall is not Japan but Communism. Without Japan, there will be no stability in the Orient. And again with the downfall of the Chinese nation, there could be no peace for Japan. It goes without saying that the close Sino-Japanese relation is the very foundation of the peace in the Orient. In spite of all this, the real intention of Japan has always been misunderstood by the Chinese people, causing them to entertain a feeling that Japan is bent on territorial aggression on China. This is due partly to a lack of positive propaganda on the part of Japan to enlighten the Chinese people and to the attitude of some of the Japanese which inspires the Chinese suspicion.

From: M/A. Tokyo

Report No. 8673

March 3, 1937.

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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

4. The Japanese profess to stand for the spirit of Wodo, Kingly Way, but some of them are possessed with the sense of superiority over the Chinese people and despise them. They are the kind of people who attempt to profit themselves at the expense of the Chinese masses, and it is an undeniable fact that they have injured the Chinese national pride and stimulated their anti-Japanese sentiment. They should abandon this sense of superiority and make efforts to have the Chinese understand and appreciate thoroughly the Japanese desire to establish an amicable sino-Japanese relation on the basis of the sympathetic understanding between the two peoples.

5. Some Japanese maintain the necessity of overthrowing the Chiang Kai-shek political power and others insist on a cooperation with him, relying on the ability of the national government under him to unify the country. But I am not a party to either of them. Those Japanese who are supporting Chiang overestimate the practical ability of the Nanking Government. It is true that the Nanking Government has accomplished much in the way of the unification of the country during the past few years, but it is practically impossible for Chiang to convert the semi-feudalistic social state of China into that of a modern nation in a short time. As a matter of fact, China is a vast country, and its northern and central sections are conflicting in their interests. What is more, Chiang has struck a compromise with the former Northeastern army which has been half sovietized. This step on his part will not fail to be destructive to his scheme for the unification of the country.

6. The rapid expansion of the popular front in that country against Japan as the result of the participation of the communistic element in it requires special attention. The anti-Japanese movement is now beyond the control of Chiang Kai-shek. It is in the hands of the general public with the anti-Japanese popular front playing the leading part. When the Generalissimo undertook the task of unification of China, he realized the advantage of directing the public attention against a foreign enemy. The circumstances at that time were most convenient for him to mark out Japan. By this method, he went about his task with a "Resistance against Japan" as a slogan and at the same time succeeded in enlisting the support of Britain, the United States and the Soviet Union for his purpose. His method was something like killing two birds with one stone. From the very outset of his enterprise, therefore, he never dreamed of ever fighting Japan. He simply adopted the slogan as a mean to an end. At the time when he first came to the political center from Canton with his revolutionary army, he shook hands with the Communist party for expediency. But when he succeeded in establishing his political influence by the aid of the party, he had the communistic element driven out from the National Government by a coup d'etat. His anti-Japanese propaganda is of the same category in its method with the one he adopted at that time.

From: M/A. Tokyo

Report No. 8673

March 3, 1937.

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

7. A man of Chiang's caliber cannot fail to realize that the downfall of Japan as the result of China's successful anti-Japanese campaign would inevitably mean aggrandizement of the communist influence in that country. But he has gone altogether too far in his anti-Japanese campaign. The situation is suicidal to his political power, but he now can do nothing with the situation. Under the present circumstances, a reckless pressure on the anti-Japanese movement will also be suicidal to his political power. If Japan should shake hands with Chiang, relying on the ability of the Chinese central government, she will have to beat a retreat from China altogether, for the anti-Japanese movement in that country will no longer be satisfied until Japan abandon her work against Communism, ceases her activity in North China and restores Manchukuo to China.

8. If Chiang is no longer worthy of being depended upon, there is no alternative for Japan but to cope with the Chinese public which has become thoroughly imbued with the anti-Japanese sentiment. By the Chinese public, I mean the local warlords, government officials, businessmen, students and masses of Chinese people. In order to do away with the anti-Japanese sentiment in that country, Japan will have to win the hearts of the people directly, showing to them the sincerity of her purpose. Whatever may be the ability of Chiang Kai-shek for achieving the unification of the country, the condition of the central government is after all subject to the condition and circumstances in which it has its being. Under such circumstances, therefore, Japan may come to an understanding with the Chinese central government only after winning the hearts of the Chinese people and creating a favorable atmosphere, in which the latter may carry on negotiations with the former for cooperation.

9. From such consideration, I am neither pro-Chiang nor anti-Chiang. There is no reason whatever to upset his political power. On the contrary, it is eminently unwise under the present circumstances to cause his downfall. But it is by no means an easy task for Japan to make the Chinese people at large understand that she is sincere. A plan to launch propaganda among the four hundred millions of the Chinese people who are spread all over that vast country is practically impossible. As a practical measure, therefore, Japan should attain her object gradually by a partial enterprise. By this, I mean the promotion of economic cooperation and energetic propaganda for the encouragement of harmony and concert among the Oriental races on the basis of the principle of Fudo, Kingly way, which is the essence of the Oriental culture.

10. Economic cooperation is often said to be the trump card for the solution of the Sino-Japanese deadlock. There is much truth in this, for as a matter of fact, there is a great possibility for it since the Chinese people have a keen appreciation of what is meant by profit. But we have to understand also that while ~~may be~~ interested in wealth and honor, they will never make a move for mere wealth which is not accompanied by honor. In the promotion of economic collaboration as a measure to win the Chinese heart, therefore, it is necessary to carry it out in the name of Sino-Japanese cooperation.

From: M/A. Tokyo

Report No. 8673

March 3, 1937.

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

11. In other words, if Japan succeeds in driving home to the Chinese people by sincere and systematic methods backed by a practical power, that the foundation of peace and stability of Eastern Asia can be realized only on the basis of the harmony and cooperation of the Oriental races, and that Japan harbors no intention whatever to encroach upon China, I firmly believe that the Chinese people will be willing to follow Japan's lead in the movement. Sino-Japanese cultural co-operation may play a very significant part under such circumstance. As a practical method of culture cooperation, Japan may exchange professors and students with China and enlighten the leading element in that country to acquire a correct appreciation of the actual Japanese national situation and the desire of the Japanese to cooperate with the Chinese people for the maintenance of the Orient for the Oriental peoples.

12. One may say that Chinese young men are imbued with a profound anti-Japanese sentiment, having been brought up from their childhood with anti-Japanese education and in an anti-Japanese atmosphere, and therefore it is very difficult now to persuade them to abandon it. Nevertheless, unless we exert ourselves to make them understand what we really are, as mentioned in the foregoing paragraph, it is practically impossible to hope for the realization of co-existence and co-prosperity of the two nations. And I believe such a propaganda is not at all impossible. At any rate, that is the only method there is to remove the conflicting sentiment existing between the two countries.

13. In order to launch such propaganda among the Chinese people and succeed in the enterprise, Japan must have a definite and stable policy as I have pointed out, on which her China policy must be firmly established. Japan's China diplomacy in the past has often failed because of the fact that it did not follow a definite course of action according to a fixed policy. To attain the desired effect of its policy, the Japanese Government must see to it that the Japanese people fully understand its significance and secure the complete unity of opinion among the people.

14. It is also absolutely necessary for Japan to give adequate national support to make the propaganda effective and win the hearts of the Chinese people. Propaganda with support of an adequate practical strength is powerless. Japan may launch a movement for the promotion of the great Asiatic spirit, but if she lacks practical power on which China may rely with a feeling of security, the Chinese people are bound to hold Japan in contempt, affording an opportunity for Britain, the United States and the Soviet Union to take advantage of the situation. If Japan's national strength is developed to such an extent that there is no occasion for them to meddle with the affairs in this part of the world, the Japanese propaganda will become effective spontaneously and naturally.

15. When we inspect the Japanese activity toward China in the past in the light of the view I have stated in the foregoing propaganda, we cannot help recognizing its failure and shortcoming. Japan's purpose in North China, for instance, is perfectly right, but the method tried to accomplish her aim cannot be said altogether successful. Japan sought to spread the real spirit of the Japanese among the Chinese people as a partial propaganda, but this enterprise on the contrary stimulated anti-Japanese sentiment. This was due to the lack of the proper attitude and preparation for the task. The success or failure of Japanese propaganda depends upon the condition of Japan's practical ability. If the Chinese people recognize that Japan's public opinion is divided, they will never listen to it. The same is true with Japan's national defense. If they appraise Japanese national defense to be inferior to those of Britain, the United States or the Soviet Union, they will make light of Japan. It is a national trait of the Chinese people to take advantage of other's weakness to the last limit.

16. After all has been said and done, national unity and the efficiency of national defense are absolutely the first and foremost requirements for Japan to succeed in her propaganda in China. In other words, the fundamental requirement for the solution of the Sino-Japanese problem is to have Japan's internal situation on a sound basis. If an armed conflict should ever break out between Japan and the Soviet Union in the future, the China problem will be the cause instead of the Soviet-Manchukuo boundary dispute. The Soviet Union is sure to assume an offensive attitude against Japan when it succeeds in alienating China from Japan. It is in the realization of such a contingency that the Japanese army is determined to have adequate national defense and insists on the general administrative reform.

Source: See par. 1

Distribution:

File 1
C-2 6

William C. Cr
Lieut. Colonel,
Military

From: W/A. Tokyo

Report

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

DOCUMENT FILE

NOTE

SEE 893.00 P.R.Shanghai /101 FOR Desp.#646

FROM Shanghai (Gauss) DATED Mar.5,1937.
H6/// NAME 1-1127 GPO

REGARDING: Sino-Japanese relations: Reports developments
in -, during January, 1937.

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795.94/ 8593

8593

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

b. Relations with Other Countries.

793.94
Japan. February, like January, proved to be an uneventful period in so far as Sino-Japanese relations were concerned. No incidents occurred in Shanghai and there appeared to be an almost complete relaxation of the tension of the past several months. However, an increase in anti-Japanese propaganda, apparently through the medium of the salvation associations, was noted during the month, and a recrudescence of labor troubles in the Japanese Toyoda mills threatened momentarily to exacerbate relations between the two countries."

Japanese Ambassador Kawagoe left Shanghai for Nanking on February seventh, returning to Shanghai on February twenty-fourth. It appeared that Mr. Kawagoe's sojourn in Nanking was not for the purpose of conducting diplomatic negotiations

*Telegram No. 95 dated February 20, 1 p.m.

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

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negotiations but in order to observe the results of the third plenary session of the Central Executive Committee and to inquire concerning the settlement of the Sian affair. Mr. Kawagoe made no public pronouncement of his impressions of the plenary session; but the local Japanese press professed to see no definite indication of a change in Chinese policy towards the Communists or Japan as a result of the session. However, some concern was expressed over the possibility that the Central Government might effect a compromise with the Chinese Communists in the near future.

The formation of the Hayashi Cabinet in Japan was not regarded in a particularly favorable light in Shanghai, it being generally felt that Hayashi's accession to power indicated a continuation of military dominance in the carrying out of Japan's policy toward China, a situation that is not viewed with relish in China. Moreover, General Hayashi's protestations of a change in policy towards China were accepted with reserve in local quarters which consider that abolition of Japan's "dual" policy (military interference in foreign affairs) is a condition precedent to the restoration of normal relations between the two countries. However, an announcement late in the month that a Japanese economic mission would come to China about the middle of March was construed as indicative of a Japanese desire for an economic rapprochement with China.

Spain. Absence of an accredited Spanish consular official in Shanghai and apparent factionalism in the local Spanish community brought up during the month the question of Spanish extraterritorial rights in China. The Madrid authorities

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Department of State letter, August 10, 1972
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authorities have had no representative in Shanghai since the resignation of Mr. J. Larrecocchia in October 1936, while Mr. E. V. Ferrer, who resigned as Spanish Consul General in Shanghai in August 1936, claims to act as the official representative of the Franco Government, which is not recognized by the Chinese Government. The Consular body refused to be drawn into the controversy, intimating that the matter was one for settlement between the Chinese and the Spanish Governments. At the end of the month it was indicated that the Chinese authorities were prepared to assume, at least temporarily, jurisdiction over Spanish nationals in China.

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

DOCUMENT FILE

NOTE

SEE 893.00/14085 FOR #392
FROM China (Johnson) DATED March 22, 1937.
TO NAME 1-1127 ...

REGARDING: Relations between China and Japan.

Statement of the new Foreign Minister Dr. Wang Chung-hui
on foreign relations which is the maintenance of the
integrity of China's territory and sovereign rights and
the conduct of international relations on the basis of
equality and reciprocity.

793.94 / 8594

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

DOCUMENT FILE

NOTE

SEE 033.1190-Pierson, Warren Lee/6 FOR Tel. #171-noon.

FROM China (Peck) DATED Apr. 20, 1937.
TO _____ NAME _____

REGARDING: News item in the Embassy's 170, Apr. 20-11am. is reported
as of possible interest in connection with paragraph
three of the Embassy's 164, April 16-2pm. in connection
with Economic enterprise in China.

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793.94 / 8595

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

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SPECIAL GRAY

Nanking via N R

Dated April 20, 1937

Rec'd 9:05 a.m.

Secretary of State,
Washington.

171. April 20, noon.

793.94

News item in the Embassy's 170, April 20, 11 a.m.,
is reported as of possible interest in connection with
paragraph three of the Embassy's 164, April 16, 2 p.m.

PECK

DDM:CSB

Economic enterprise in China.

033.1190-Perman
Warren
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

TELEGRAM RECEIVED

MM

GRAY AND SPECIAL GRAY

PEIPING via N. R.

Dated April 23, 1937

Rec'd. 9am

Secretary of State

Washington, D.C.

126, April 23, 4pm.

Reference paragraph 5, Embassy's 110, April 6, 7pm.

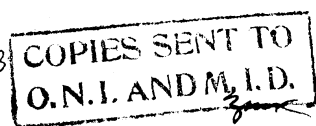
One. The Mayor of Tientsin, a subordinate of Sung

Che Yuan, is reported to have sailed today for Japan accompanied by several officials of the Hopei Chahar Political Council and by several officers of Sung's army. Chen Chung Fu sailed April 15 for Japan. He was until January Chairman of the Foreign Affairs Committee of that Council and has in the past conducted negotiations with Japanese on Sung's behalf.

Two. It is reported in the press that 32 officials of the East Hopei regime sailed for Japan April 19 and that the Secretary General of that regime, who is allegedly its most influential Chinese, left by rail for Japan April 18.

Three. The visits may be an outcome of reports that the return of East Hopei to Chinese control is favored by Kodama, who was head of the recent Japanese economic mission to China, and by the Japanese Ambassador, who is reported to be returning to Japan May 2.

Ma Ju Keng



793.94/8596

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

mm 126, April 23, 4pm. from Peiping. -2-

Ma Ju Keng referred to the report about Kodama's views in a statement to Japanese newspapermen on April 18 in which he expressed strong opposition to abolition of his regime. Presumably his subordinates have gone to Japan to oppose any change. As for Sung Che Yuan, certain observers have expressed the view that he may have despatched Chen Chung Fu and the Mayor of Tientsin and his party for the purposes of, (1)--attempting to bring East Hopei under Sung's control and, (2)--protecting his interests in the matter as opposed to the interests of the National Government; that is, he may believe that, if the bogus regime should be abolished without his participation, the National Government would receive all the resultant prestige to Sung's detriment.

Four. The Embassy doubts that any important change will take place in the near future in the status of the East Hopei regime.

By mail to Tokyo.

LOCKHART

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

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TELEGRAM RECEIVED

RB

GRAY

FROM

Nanking via N. R.

Dated April 24, 1937

Rec'd 11:45 a. m.

Secretary of State

Washington.

COPIES SENT TO
O.N.I. AND M.I.

179, April 24, 10 a. m.

Cur 167, April 19, noon. 18587

One. Domei Shanghai reports today that Kawagoe, now in that city pending departure for Japan April 28, stated in an interview yesterday: (1) through mutual concessions alone can China and Japan hope to adjust their relations and there can be no readjustment if one party seeks to realize its own program and that alone; (2) he had repeatedly told Wang Chung Hui that what China needs most is a clear realization of the factors involved in Japan's national existence and growth; (3) Japan on her part must (a) fully understand China's unification movement and the Central Government's growing strength, (b) make a thorough study of the real nature of the National Government and the development of its Various branches, (c) keep constantly in mind the nature of China's national unification; otherwise there will be no hope of readjusting

DIVISION OF WESTERN
EUROPEAN AFFAIRS

APR 27 1937

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

17-2

RB

-2-#179, April 24, 10 a. m.
From Nanking

*WCB
10/20/31*

readjusting Sino-Japanese relations; (4) China is as much interested as Japan in readjusting ~~business~~ *mutual* relations and there is no divergence in views between Nanking and Tokyo on the necessity of breaking down the current deadlock; (5) economic cooperation will naturally follow readjustment of relations.

Two. He said he had noted China's wishes for abolition of the East Hopei regime and suppression of smuggling and "intimated that the Chinese authorities appeared to be ready to make certain concessions" in regard to the import tariff.

Three. He gave noncommittal comment on "rumors of China's rapprochement with Russia and economic cooperation with Great Britain". In regard to "reports of projected Anglo-Japanese cooperation in China" he said "he had not observed any leanings in that direction in British circles in Nanking".

Four. Sent to the Department, by mail to Peiping, Shanghai, Tokyo.

JOHNSON

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5196	KE - Savrent
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7941	FE
7912	FE
7903	FE Mackay
8185	FE (LKH)
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8419	FE
8107	FE
9598	FE

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793.94

DATE	CLERK'S INITIALS	REMARKS
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6-2-36	FLG	with 7927
6-10-36	FLG	With 892.00/13522
6-16-36	FLG	with 7954
7-8-36	FLG	
10-5-36	FLG	
1-5-37	FLG	W 8487
2-23-37	FLG	W 8514
3-12-37	FLG	
3-31-37	FLG	W 8564
5-4-37	FLG	W 892.01 lance Thompson / 102
6-2-37	FLG	W 8642

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

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

DOCUMENT FILE

NOTE

SEE 893.00 P.R.Tientsin/106 FOR Desp.#-

FROM Tientsin (Berger) DATED Mar.10,1937
 NAME 1-1127 096
 //////////////

REGARDING: Relations between China and Japan: Reports
 developments in -, during February, 1937.

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793.94/ 8601

8601

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

II. FOREIGN RELATIONS.

A. Relations with the United States.

Nothing to report.

B. Relations with Other Countries.

1. Japan.

a. The Diet and North China.

79394
(pp. 1-4)

Literate Chinese in this district appeared to be following with the closest interest the proceedings in the Japanese Diet where the parliamentarians who had wrecked Hirota's Cabinet appeared to be forcing General Hayashi, the new Prime Minister, into a commitment against further military adventures on the Asiatic mainland. According to reports appearing in the local English language press, on February 27 General Sugiyama, the new War Minister, stated categorically that Japan has no intention of occupying North China. This and other statements appear here to indicate that the military in Japan have been forced to take the defensive in their own country, considerably minimizing the danger of further aggressive military action in this area.

b. Impact of Plenary Session.

The Third Plenary Session of the Fifth Central Executive Committee of the Kuomintang, which opened on February 15 was reported in North China to contemplate the reorganization of the Hopei-Chahar Political Council and other action directed towards bringing North China more completely within the sphere of the National Government. Although Sung Che-yuan

(宋哲元),

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

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(宋哲元), the Chairman of that Council, did not himself attend the session, he appears to have been represented there by General Ch'in Te-ch'un (秦德純), the Mayor of Peiping (one of his closest associates), Ho Ting-yuan (何定遠), the Secretary-General of the Council and supposed to be an advocate of closer relations with Nanking, and Chang Shih-chao (章士釗), the Chairman of the Codification Commission of the Council, who may, however, have been in Nanking in connection with other matters. According to press reports, General Ch'in saw General Chiang Kai-shek (蔣介石) in Nanking and gave him a full report of the situation in Hopei and Chahar, assuring the Generalissimo that General Sung Cho-yuan was adhering strictly to the policy of the National Government. On his return to Tientsin General Ch'in asserted in a press interview that General Chiang had expressed his appreciation and satisfaction over the way in which the affairs of the Council had been conducted.

Acting on behalf of General Sung Cho-yuan, General Ch'in Te-ch'un presented at the proceedings of the Plenary Session a proposal for the extermination of Communists, presumably those in North China.

Reports which appeared after the close of the session to the effect that General Ch'in had brought back to North China a set of detailed instructions covering the reorganization of the Council were attributed by informed Chinese here to Japanese propaganda sources, and there was no evidence available

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

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available at the end of the period under review that the ranking Government contemplated any marked change in the organization of the government of North China.

c. North China Conferences Continue.

Chinese conferences, attended by various North China leaders, on the one hand, and Japanese military conferences, on the other, with frequent meetings between leading Chinese and Japanese, notably Generals Sung and Tashiro, continued throughout February. It was reported here that the principal object of these conferences and meetings was to bring about some arrangement covering the Demilitarized Zone. Chinese leaders here are said to be anxious to effect some agreement covering the Zone favorable to themselves which will stand to their credit with the National Government, while the reported differences which exist between Yin Ju-keng (殷汝耕) and the Japanese, and Yin and his subordinates, threaten to precipitate a situation inimical to Japanese interests. It is also said that Yin himself is now anxious to resign, and that the Japanese consider it to their advantage to reach some definite arrangement with the authorities of the Council before he does so.

d. Reported Change in Command. The

vernacular press of February 20 reported that Major General Tashiro, the present Commandant of the Japanese North China Garrison, had been transferred to a post in Japan and that Major-General Okamura, who is credited with the negotiation of the Tangku

Truce

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
 Department of State letter, August 10, 1972
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Truce for the Japanese, has been assigned here. Some days later Major Imai, the Japanese Military Attache in Peiping, and generally regarded as the spokesman of the Japanese military in North China, stated that he had not been informed of any such transfer.

e. Truce in Inner Mongolia. The state of truce in Inner Mongolia which followed the decisive repulse of the Japanese-directed irregulars by Chinese troops several months ago continued throughout February, although it was persistently reported that preparations were being continued for a renewed drive on the borders of Suiyuan.

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

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TELEGRAM RECEIVED

793.94

RB

1-1336

FROM

GRAY and SPECIAL GRAY

Peiping via N. R.

Dated April 28, 1937

Rec'd 1.45 p. m.

Secretary of State
Washington.

COPIES SENT TO
O.N.I. AND M.I.D.

128, April 28, 3 p. m.

Embassy's 126, April 23, 4 p. m.

One. Sung Che Yuan gave an interview April 22 to Japanese pressmen in which he allegedly said that he was determined to promote Sino-Japanese economic collaboration by detaching it from all political problems.

Two. This policy would be contrary to the policy of the National Government which Sung described in the same interview as being the solution of political problems prior to a solution of economic problems. Sung's statement has given impetus to rumors that there is a widening rift between Sung and the National Government.

Three. A Japanese newspaperman who was present at the interview has said that Sung was apparently telling the Japanese pressman what he thought they would like to hear and that his opinion in this has been confirmed by information obtained from the local Japanese First Secretary to the

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

RB

-2-#128, April 28, 3 p. m. from
Peiping

to the effect that when the latter called on Sung on
April 26 to discuss Sino-Japanese economic cooperation,
Sung was evasive and noncommittal.

Four. Local responsible Chinese express the opinion
that there will be no (repeat no) important change in the
near future in the relations of Sung Che Yuan with the
National Government.

By mail to Tokyo.

LOCKHART

CSB

18-1

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

7L

TELEGRAM RECEIVED
SPECIAL GRAY

JR

1-1336

Nanking via N R

FROM Dated April 28, 1937

Rec'd 8:55 a.m., 29th.

Secretary of State,
Washington.

COPIES SENT TO
O.N.I. AND M.I.D.



184. April 28, 4 p.m.

Our 179, April 24, 10 a.m. / 8597

One. Kawagoe sailed this morning from Shanghai for
Japan.

Two. A responsible official of the Foreign Office stated today to an officer of the Embassy that the Foreign Office had for a long time been "negotiating" for abrogation of the Tangku truce of May 31, 1933 but without success and before Kawagoe's departure from Nanking had intimated to him "not in so many words but in a general way" that future Sino-Japanese discussions would be conditioned upon at least abolition of the East Hopei and North Chahar regimes and suppression of smuggling in North China (their existence being possible because of the Tangku truce). He said that recently both Japanese and Chinese officers had been very cautious in approaching the question of the resumption of Sino-Japanese discussions looking to settlement of so-called fundamental issues and neither side wanted to take the initiative. The Foreign Office expected that developments arising out of the

forthcoming

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APR 30 1937

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

18-2

-2-

JR #184, April 28, 4 p.m., from Nanking via N R.

forthcoming April 30 elections and returns would occupy the Japanese Government for at least a month and Sino-Japanese discussions would not be reopened until after that period. He anticipated that when they were resumed they would consist in little more than informal talks looking to the discovery of a basis on which formal discussions might proceed. The Foreign Office believed that Sato was sincere in desiring to reorient Japan's China policy along more moderate lines; claims that Japanese officials in China had come to be moderate in their views including Kodama (head of the recent Japanese economic mission), Kawagoe and Suma; all the opinions of these men could not prevail with Japan's military ^{any} reactionaries; he accordingly did not believe that there would be any real change in Japanese policy because the Japanese military would be unwilling ever to annul the Tangku truce which gives them a buffer between Manchukuo and China proper, a corridor to Mongolia, a base for activities such as the illicit narcotics traffic and the smuggling which menaces the Chinese Government's fiscal security.

Three. Sent to the Department, by mail to Peiping, Tokyo.

JOHNSON

CSB

143

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

May 17, 1937.

~~SECRET~~
Reference Singapore's No.150,
March 19, entitled "Professor L.A.
Mills' Address on Far Eastern
Situation" and No.172, April 12,
entitled "Address of Dr. Theodore
E. Hsiao."

To note marked passages.

1846
FL:HES.

1433

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

NO. 150.

AMERICAN CONSULATE GENERAL
Singapore, S.S., March 19, 1937.

SUBJECT:
1-1403

Professor L. A. Mills' Address on
Far Eastern Situation.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have the honor to report that Dr. L. A. Mills, Professor of Political Science at the University of Minnesota, addressed the Singapore Rotary Club on Wednesday, March 18, 1937, on the subject, "Factors Affecting the Far Eastern Situation". He gave a concise but rather elementary survey of the relations between Japan and China, stressing that the former is confronted with the necessity of finding employment for some 400,000 new workers yearly, and that its nearest neighbor, China, is a valuable market in a politically weak condition. Thus a country which is poor and strong, driven by over-population, is taking advantage of a nearby country, which is rich, weak, and strategically useful.

While the address was somewhat trite for an audience in the Far East, it was on the whole as inoffensive as remarks on that subject could be. The Chinese Consul General, Mr. Kao Ling-pai, said afterward, however, that the Chinese members of the club considered it definitely pro-Japanese and took exception to Dr. Mills' statements implying that national patriotism is lacking in China, and that there

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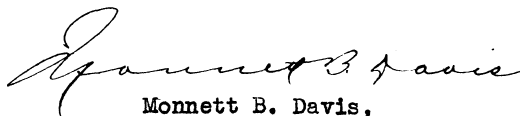
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

- 2 -

is "little idea of a republic" in that country except among the returned students.

Dr. Mills is now doing research work in Malaya and intends to visit China and Japan before returning to the United States.

Respectfully yours,



Monnett B. Davis,
American Consul General.

Distribution:

Original and four copies to the Department.
One copy to the American Embassy, London.

File No. 800
MBD.a

0435

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

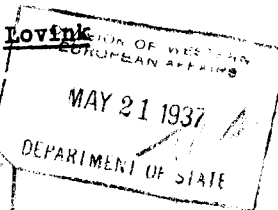


EMBASSY OF THE
UNITED STATES OF AMERICA

No. 1175

Peiping, April 10, 1937.

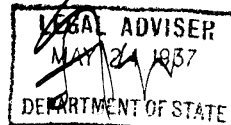
Subject: Views of Mr. A. H. J. Lovink
on the Far East.



File
Section F2.
Division of
EASTERN AFFAIRS
MAY 4 - 1937
Department of State

For Distribution Check		NO
Grade	For	✓
	In U.S.A.	✓
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O.N.I. AND M.I.I.



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

Sir:

I have the honor to enclose a copy of a memorandum of a conversation which took place on April 5, 1937, between the Ambassador and Mr. A. H. J. Lovink, Adviser for East Asiatic Affairs to the Government of the Netherlands, in regard to the Far Eastern situation.

Mr. Lovink expressed interesting views with regard to "Manchukuo", Sino-Japanese relations, and the possible future danger arising from the growth of nationalism in China.

Respectfully yours,

For the Ambassador:

Frank P. Lockhart
Frank P. Lockhart,
Counselor of Embassy.

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COMMUNICATIONS
AND RECORDS

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

- 2 -

Enclosure:

Copy of memorandum of
conversation, April 5, 1937.

Original and four copies to Department.
Copy to Embassy, Tokyo.
Copy to Embassy, Nanking.

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1175

Memorandum of Conversation.

Hankow, April 8, 1937.

Mr. A.H.F. Lovink, Adviser for East Asiatic Affairs
to the Government of the Netherlands-Indies,
and Mr. Johnson.

Subject: Conditions in the Far East.

Mr. Lovink came to see me to-day. He was one time employed in the Chinese Customs Administration, and for the past ten years has been living in Java where he is employed by the Dutch Government. He has just been traveling in Japan and in Manchuria.

Mr. Lovink stated that he came away from Japan feeling that the Japanese were dominated in all of their thoughts by a fear of the Chinese and the increasing uncertainty of their position vis-a-vis China. In Manchuria he was astonished to find how much less they seem to care whether any one considers "Manchukuo" as an independent state. He stated that Japanese domination in Manchuria to the exclusion of all independent action on the part of any state that might be there was open and almost boastful. He remarked that members of the Japanese Embassy at Hankow complained to him of the predominant position in Manchurian affairs taken by the Kwantung Army.

He stated that all admitted that Japanese plans for the settlement of Japanese in Manchuria had been a complete

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

- 2 -

plete failure up to date, and that no one foresaw any possibility of success along these lines in the future; that civilian Japanese in the "Manchukuo" Government said that Japan had spent \$200,000,000 on the construction of railways alone, at the behest of the Army, and that these railways for the most part were without economic value, being entirely for strategic and military purposes.

He stated that he was convinced that Japan and China would find it very difficult to discover any basis for peaceful or economic cooperation, as the people of the two countries despised one another and the Japanese could not seem to find any means for accomplishing their purposes peacefully. He stated that the army leaders were beginning to realize the fruitlessness of these efforts, and expressed the opinion that the Japanese were committed to a military domination which they would have to pursue or fall in; and he felt that the Japanese themselves realized that they could not pursue this military plan with any hope of ultimate success in so far as economic returns were concerned.

Mr. Lovink expressed the opinion which he said others of his people did not share: that as a problem Japan was not as important to the Netherlands or to the rest of the world as was China. > He illustrated his point of view by citing his experiences with Chinese schools

in

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

- 3 -

in Java and the Chinese teachers in the private schools, stating that, whatever we might think of the Sun Yat Sen cult and the teachings propagated by those interested in that cult and in the new nationalization of China, these teachings were calculated in another ten years to build up a very dangerous state of mind among the Chinese.

Welson Trusler Johnson,
American Ambassador.

6 copies to Peiping:
1 for their files,
5 for transmission to the Department.

WTJ:EA

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



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN EMBASSY
Tokyo, April 16, 1937.

No. 2365.

SUBJECT: SINO-JAPANESE RELATIONS.

793.94

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DEPARTMENT OF STATE
MAY 3 1937

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RELATIONS
AND RECORDS

File
Division of
FAR EASTERN AFFAIRS
MAY 4 - 1937
Department of State

For	In U.S.A.
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793.94/8606

The Honorable
The Secretary of State,
Washington.

Sir:

At present there appear to be two general factors
which govern Sino-Japanese relations: China's realization
of its increased strength and Japan's weaknesses and
Japan's understanding of the Chinese feeling in that
respect. Of immediate interest, the two countries have
divergent points of view with regard to the improvement
of relations: Japan wants to bring about an economic
rapprochement

JUN 2 - 1937

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

-2-

rapprochement with China, i.e., to attain certain economic aims in that country, while China insists that economic matters cannot be discussed before political issues are disposed of.

During the past year the Nanking Government has made definite progress in the strengthening of its authority and in the unification of the country. Conscious of this, the Chinese leaders have gained confidence and no longer feel the need of following a cringing policy. Their attitude now is apparently one of patient determination. General Chiang Kai-shek was successful in suppressing the insurrectionary movements in Kwangtung and Kwangsi. The military movement of the East Suiyuan Mongols against the Chinese, reportedly sponsored by a section of the Japanese Kwantung Army, was from all accounts a miserable failure. A threatened national crisis arising from the capture and detention of Chiang Kai-shek by Chang Hsueh-liang was averted largely through the unified support of the Nanking Government by the Chinese. In the negotiations for the settlement of Sino-Japanese difficulties based on Japanese desiderata the Chinese took a firm stand, resisted Japan's demands, and caused the breaking off of negotiations.

In the face of these circumstances Japan came to the realization last fall that it must change its tactics toward China. After his assumption of the Premiership, General Hayashi expressed himself in a conciliatory fashion with regard to China and subsequently Mr. Sato, the Minister for Foreign Affairs, announced in vague terms
that

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

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that Japan must not only deal with China in a more conciliatory way but also must conduct its relations with that country on the equal footing recognized by international law. It should be emphasized, however, that there has been no real change of heart on the part of Japan but only an expedient change of attitude.

The much-talked of "new policy" toward China is at best embryonic and there is doubt even as to whether Japan has adopted or will adopt a policy based on equity and equality. It would appear, however, that the Japanese military themselves desire to avoid any drastic moves in China, at least in the immediate future. The War Minister has stated that he is in accord with Mr. Sato's ideas on foreign policy as enunciated in the Diet on March 8 and March 11 and later modified on March 12.*

Hence the Government has announced that it will seek to cultivate friendly feelings with China, starting first with an economic rapprochement, but herein lies the hitch. According to reports, the Japanese Government will offer the abolition of the East Hopei Autonomous Government through its amalgamation with the Hopei-Chahar Political Council and thus do away with the smuggling question in North China, on the condition that China shall lower its import tariff in favor of Japanese goods. There is little in the way of concession, however, in such a proposal since the Japanese themselves have been responsible for separating East Hopei from the Nanking Government's administration and

also

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* Embassy's telegrams No. 85, March 11, No. 86, March 12, and No. 90, March 13, 1937.

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

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also for the "special trade" or smuggling in North China. Therefore, the Chinese maintain that these two questions must be settled before they can consider Japan's request for a lowering of the Chinese tariff and for other Chinese concessions, such as the establishment of a Japan-North China air service, the building of a Sino-Japanese railway, and the development of an iron mine in Chahar with Japanese capital.

In evaluating the changed relationship between the two countries there are factors which should be taken into account other than those already mentioned, namely, the growing strength of the Soviet Union, Great Britain's interests in China, and the troubled political and financial conditions in Japan. Confronted with these considerations the Japanese military are not likely to embark on a military venture in China in the near future. Nevertheless it should not be forgotten that the intemperate elements in the Kwantung Army are always capable of starting trouble and recent history has shown that the Japanese Government and people are usually willing to endorse the successful actions of the Kwantung Army as "faits accomplis".

As far as can be judged at the moment, the probabilities are that Japan, apparently having seen the futility of aggressive methods, will try to reach some sort of rapprochement with China through peaceful means. While the tension between the two countries has been eased by Premier Hayashi's and Mr. Sato's friendly statements, any improvement of relations on concrete lines will have to be gradual. Furthermore

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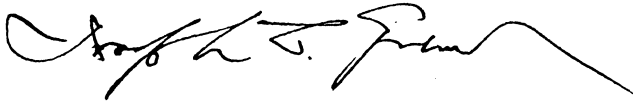
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Department of State letter, August 10, 1972
By Milton O. Gustafson NARS, Date 12-18-75

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more, present indications are that if Japan is to gain its economic aims in China it must first make definite political concessions to China.

1/ There is enclosed a memorandum of a conversation which Mr. Dickover, First Secretary of the Embassy, had yesterday with Dr. Mar, Second Secretary of the Chinese Embassy in Tokyo.

Respectfully yours,



Joseph C. Grew.

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GDA:C

Enclosure:
1/ As stated above.

Copy to Embassy, Peiping;
" " " Moscow.

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

Enclosure No. 1 to despatch
No. 2366 of April 16, 1937,
from the Embassy at Tokyo.

Conversation

April 15, 1937.

Mr. Dickover, First Secretary of Embassy,
and
Dr. T. T. Mar, Second Secretary of the
Chinese Embassy at Tokyo.

SUBJECT: Sino-Japanese Relations.

During lunch today I engaged in conversation with Dr. Mar on the general subject of Sino-Japanese relations, and asked him if there were any recent significant developments. Dr. Marr replied that the most important development - a development of real historical importance - consisted of China's recent awakening to a realization of Japan's weaknesses - weaknesses consisting of internal political troubles, financial instability and even dissension within the Army itself. China had been preparing for years eventually to resist Japanese encroachments but hitherto had been afraid to try its strength against that of Japan. Beginning about last October, however, China had begun to realize that its opportunity had arrived. China has now decided definitely not to yield another inch to Japan, and is prepared to fight at any time if the Japanese military again try to encroach upon China. Moreover, China took this stand with the full realization that China would have to fight Japan herself and that she could not rely upon any outside assistance. Even so, China was confident of victory in any conflict with Japan.

I remarked here that in any war with China - should such a war ever occur - it was unlikely that the Japanese military would make the mistake which Napoleon made in his march

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

-2-

march to Moscow. I said that it was more probable that the Japanese forces would only endeavor to take and hold the coastal provinces and perhaps the Yangtze Valley up as far as Hankow. Dr. Mar said that even so Japan would have to use a million men or more to do this and certainly Japan could not stand the financial strain involved in such an expedition. The expense would probably mean a revolution of some kind in Japan. The Japanese people were beginning to realize that the adventures of the military on the Asiatic Continent have not paid - that a great deal of money has been spent and that no profits are returning to Japan. The Japanese people are becoming very tired of this circumstance. I remarked here that although this might be true, the young hot-heads in the Kwantung Army did not realize it and could not be counted upon to keep the peace indefinitely. Dr. Mar replied that even the Kwantung Army was helpless without funds with which to carry on an extensive campaign.

I asked Dr. Mar if he thought that Japanese realization of these factors was the cause of Mr. Sato's statements indicating a more conciliatory policy toward China. Dr. Mar replied that China is not sure if there really is a new policy - China is waiting for some action indicating a more conciliatory policy and there have been as yet no signs of such action. However, there is no doubt that the officials of the Foreign Office and high Japanese Army officers realize thoroughly the Chinese attitude of resistance and the adverse disposition on the part of the Japanese nation. Consequently, the Japanese military are afraid to start a conflict with China at the present moment. Moreover, the recent economic mission to China, headed by Mr. Kodama, has
 apparently

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

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apparently had a definite effect on Japan's policy toward China. Mr. Kodama, who has been in close touch with the Foreign Office, came back from China with definite recommendations for improvement of economic relations with China. The Chinese Embassy does not yet know what these recommendations are but it believes that the chief one is that political questions in North China should be settled as soon as possible.

I said that history tended to show that a wave of aggressive tendencies is followed by a period of definite recession, and asked if he thought that the present tendencies indicated a recession to Shidehara diplomacy. Dr. Mar said that he believed that this was true and that consequently we could expect a period of quiet in Sino-Japanese relations for at least a year, provided that the present or some similar cabinet is in power in Japan during that period. He said that this change in the Japanese attitude toward China was very apparent in the demeanor of the Japanese military officers who come into contact with the Chinese authorities in China. These military officers have dropped entirely their blustering attitude and are very meek as compared with only six months ago.

I remarked again that the Kwantung Army might resent this change of attitude on the part of the Japanese and might start trouble in North China. Dr. Mar replied that although it was true that the central authorities in Tokyo seemed to have little control over the Kwantung Army, that Army, which consisted only of about 250,000 men, could do little nowadays
against

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

-4-

against the greatly increased strength of the Chinese forces in North China. He said that he did not believe that the Kwantung Army would again try a camouflaged expedition to Suiyuan, as Suiyuan was now strongly held by Chinese troops.

I mentioned the fact that there were recent indications that the Japanese Government was considering the eventual inclusion of the East Hopei Autonomous Government in the Hopei-Chahar Political Council, thus doing away with the East Hopei Autonomous Government and the smuggling question in North China, on condition that China should revise its import tariff in favor of Japanese goods. Dr. Mar said that it seemed to be true that the Japanese Government was considering some such step, but the Chinese Government was insisting that political questions relating to North China must be settled before economic cooperation with Japan could be considered. China was now firm on this point. At any rate, the smuggling question in North China was not so acute at present, as the Chinese authorities were arresting many Japanese and Koreans engaged in smuggling and were confiscating smuggled goods as rapidly as they could be discovered. Chinese authorities were not doing this illegally, but were operating within their legal rights. China was now not afraid to take firm action in this connection.

I asked Dr. Mar if he thought that Mr. Hsu Shih-Ying, the Chinese Ambassador to Tokyo, would bring back with him on his return from China new diplomatic instructions from his Government. Dr. Mar said that he doubted very much that Mr. Hsu would have any new instruction - if he did carry any new instruction, it would be to take towards Japan

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

-5-

an attitude similar to that taken by Mr. Yurenev, the Soviet Ambassador to Tokyo, on his recent return from Russia, namely, that Chinese friendship and cooperation with Japan will depend entirely upon the attitude of Japan itself.

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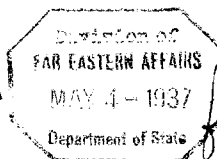
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 Department of State letter, August 10, 1972
 By Milton D. Gustafson NARS, Date 12-18-75

To: Department of State

No. 439

THE FOREIGN SERVICE
 OF THE
 UNITED STATES OF AMERICA



COPIES SENT TO
 U.N.I. AND M.I.D.

AMERICAN CONSULATE GENERAL

Tientsin, China, March 28, 1937.

SUBJECT:

Fight at East Station between Chinese
 Cart Coolies and certain Formosans.

The Honorable

Nelson Trusler Johnson,
 American Ambassador,
 Peiping.



Sir:

I have the honor to report that yesterday morning between 10 and 11 o'clock a group of Formosans became involved in a fight with the regular Tientsin Station carters as a result of which one of the latter, Li Pao Kuei by name, was shot through the right shoulder.

According to the account of this fracas given to an officer of this Consulate General by Mr. He Yung-wen, the Station Master at the Tientsin East Station of the Peiping-Liaoning Railway, where the incident occurred, it arose through the desire of the North China Transportation Company, a Japanese firm whose headquarters are located in the Japanese Concession in Tientsin, to secure the transportation of a car-load of kerosene amounting to forty tons from the East Station to their storage godown for less than the usual cartage rates. The set charge on kerosene is six cents per tin from station to godown. The North

China

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JUN 5 - 1937

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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China Transportation Company offered four cents per tin but the carters at the East Station refused to accept this price. The representatives of the Japanese company replied by stating that if the regular carters would not carry the goods for four cents a unit the Company would supply its own carters.

No agreement having been reached, eight or nine individuals, said to have been Japanese subjects born in Formosa, appeared at the station yesterday morning, March 25, led by two Chinese, Lu Ch'ang-ching and Wang Ch'ing-ch'ang, both of whom had been employees of the Pei Ning Railway until about two months ago when they were discharged. The former had been a sanitary inspector and the latter was a Japanese interpreter of the Police Department of the Railway. The Station Master stated that he believed that these two Chinese volunteered to go to the Station with the Formosans on the assumption that their former connection with the Railway and the fact that they were Chinese would make it possible for them to overawe the regular station carters should the latter attempt to make any trouble.

On their arrival at the station the Formosans, directed by their Chinese confederates, attempted to begin the movement of the kerosene cargo. They were promptly prevented from doing so, however, by a group of thirty or more regular carters. The foremost among these carters was one Li Pao-kuei, who, by virtue of his reputation for unusual physical strength, undertook to lead the carters' opposition. He did

most

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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

- 3 -

most of the talking in the bitter argument which followed and led in the fight with carters' staves which climaxed it. At the height of this battle, when Li had been so severely beaten that blood was pouring out of his mouth, one of the two Chinese who had accompanied the Formosans reached into the pocket of one of his Formosan confederates and drew out a small revolver with which he shot the luckless Li through the right shoulder, wounding him gravely.

Meanwhile the alarm had been sent to the sub-station of the Japanese consular police and although after the shooting of Li the Formosans attempted to escape, the Chinese carters prevented them from doing so until the Japanese police arrived when the Formosans, the two Chinese, Li Pao-kuei, and several other leaders of the carters were all taken together to the Japanese Police Station. But it was there discovered that Li's condition was so grave that he was removed at once to the Kung Li Hospital where an operation was performed to remove the bullet from his back.

The Station Master who was so obliging as to supply the above report had not heard whether Li was still alive. He stated, however, that Li's family had already started action through the Chinese authorities and courts to secure redress for the attack on Li.

In discussing the attitude of the carters, the Station Master stated that the work of carting at the East Station in Tientsin, according to a custom of many years' standing, belonged to a certain group of coolie-carters. These men are descendants of families

whose

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

- 4 -

whose land was taken from them to build the East Station and to lay the tracks approaching it. When the villages in which these people lived were disrupted and their lands taken away from them, they were told that in return they would be permitted to carry on the carting of goods at the station to be built there and the same group and their brothers and sons control the monopoly of that work to this day. They are therefore able to set their own price, although their demands would appear to be quite reasonable and their control of the work has never before been seriously threatened. They therefore felt that they were defending not only their means of subsistence but a privilege which amounted to a right in equity.

With reference to the circumstance that the kerosene involved was being smuggled into Tientsin, the Station Master said that the railway had of course no responsibility for the status of the goods; that they had come under a railway invoice from Chinwangtao; and that the question of collecting customs duty on them was one for the Maritime Customs to handle rather than the railway. It may be noted here parenthetically that the basic connection between this incident and the institution of smuggling is that the "special Trade" has attracted to Tientsin and given employment to thousands of the lowest type of Japanese nationals under conditions in which lawlessness and the flouting of the interests of the Chinese people and their government has very obviously been made to pay adequate returns, and has secured for them the approval of their

own

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

- 5 -

own authorities. Given the presence in Tientsin of such people and the temper and attitude which they have developed in the course of their endeavors, incidents such as the one described follow naturally.

The Embassy will note that the account of the incident given above varies in certain essential facts from those which have appeared in the local English language and vernacular press. Both the NORTH CHINA STAR and the Peking and TIENTSIN TIMES of today's date assert that the Japanese subjects involved were Koreans rather than Taiwanese while of the vernacular papers only the YI SHIN PAO states that they were Taiwanese and the others assert them to have been Koreans. Nor does it appear in any of these accounts that the shooting was done by a Chinese rather than by a Japanese subject. This latter important discrepancy is probably due to the fact that the account given by the Station Master was based partially on the statement which he received at the station and partly on a report which had been sent over to him from the Japanese police headquarters after they had arrested the participants.

Such political significance as the incident may have seems to reside in the fact that it serves as one more evidence of the increasing tension in North China since a stronger attitude on the part of the Chinese authorities and the people here began to develop under a still rigid Japanese policy toward this area.

Respectfully yours,

David C. Berger,
 American Consul.

800
 RSW:M

Copy

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

- 6 -

Copy to Embassy, Nanking.
Five copies to Department without covering despatch.

.....
A true copy of
the original
signature
M.....

7456
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

~~TOP SECRET~~
DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

May 18, 1937.

Reference Tientsin's No.444, April 1, 1937,
entitled "Sino-Japanese Incident on Suiyuan
Railway."

The despatch gives the account of an eye-
witness to the recent incident in Suiyuan
during which troops of General Sung Che-yuan
forcibly searched the baggage of Japanese
passengers on the Suiyuan railway.

The Consulate General believes that the
significant thing about this search lies
in the fact that the Chinese authorities
dared to undertake it.

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FE:HES.

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

To: Department of State

NO. 444.

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

1937 MAY 15 PM 3 46

AMERICAN CONSULATE GENERAL

Tientsin, China, April 1, 1937.

SUBJECT: Sino-Japanese Incident on Suiyuan Railway.

COPIES SENT TO
O.N.I. AND M.I.D.

The Honorable

Nelson Trusler Johnson,

American Ambassador,

Peiping.

Sir:

I have the honor to refer to this Consulate General's despatch No. 439, dated March 26, 1937, describing a fight between certain Chinese cart coolies and a group of Formosans in what amounted to a Sino-Japanese incident, and further on the general subject of such incidents to set forth the following eyewitness account of one of the recent so-called railway incidents given today to a group of representative Chinese in the presence of an officer of this Consulate General by an intelligent and trustworthy Chinese.

The informant stated that when, on March 17, the P'ing-Sui train on which he was returning from Suiyuan to Peiping entered the area controlled by the troops of General Sung Che-yuan, soldiers boarded the train and began in the regular way to question

Division of
FAR EASTERN AFFAIRS

MAY 4 1937

Department of State

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MAY 26 1937

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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

- 2 -

question passengers and in some cases to search their baggage. As it was three o'clock in the morning, the entrance of the soldiers naturally created some commotion, awakening most of the passengers. The occupants of the upper berths in the informant's compartment were Japanese, and when the soldiers entered they did not disturb him but addressed themselves to one of the Japanese, asking him to open his baggage for inspection. The Japanese did not reply and pretended to be sleeping. The guards, two of whom had by this time come into the compartment, demanded again that he open his baggage for them. The Japanese put the satchel which comprised his baggage under his head and again pretended to be oblivious of the guards, one of whom then shook him and told him roughly to get up and open his baggage. At this he apparently became very angry. The second guard, evidently believing that a fight was about to begin, drew his revolver and waved it at the Japanese.

The Chinese who recounted these facts stated that when the guard drew the revolver, he himself was very much startled and managed to get out of the compartment, but he stayed just outside to watch what was to follow. The first guard pulled the satchel from under the head of the Japanese and ripped it open and after a cursory search handed it back to him.

Turning to the other Japanese in the compartment,
the

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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

- 3 -

the guards made the same demands of him. He offered no very strong objections to having his baggage searched, but called the train boy and had him open it for the guards, who looked through the contents and passed on.

The Japanese then called the boy back to close his baggage but the boy said, "There is no use of my closing it because when we get to Peiping you will have to open it again."

The informant stated that he believed that not very dissimilar incidents occurred throughout the second and third-class carriages of the train on which he was traveling. He said that he asked one of the soldiers how they happened to overlook Chinese while they were evidently searching the baggage of all Japanese. The soldier replied, "We are under orders to search the baggage of every Japanese and Korean who comes through here and to let Chinese pass freely."

At a point between Kalgan and Peiping another search was made and the Japanese on the train were again forced to submit to a search of their baggage.

The account given above formed a part of an address made in Chinese to a Chinese luncheon club in Tientsin and was received with vociferous enthusiasm. In introducing the speaker the chairman had said, "He will tell us how the Chinese beat the little Japanese devils in Suiyuan", and in thanking him after the address was finished he referred with marked approval to the story of the searching incident.

The

- 4 -

The Embassy will recall that according to a REUTER press despatch appearing in the NORTH CHINA STAR of March 25, 1937, the Japanese Embassy in Peiping made informal representations to General Ch'in Te-ch'un, the Mayor of Peiping, and a member of the Hopei-Chahar Political Council, in protest against these searches of Japanese nationals, and were reported to have been assured that the Chinese authorities would protect and assist all Japanese travelers carrying proper credentials and engaged in legitimate business.

It is perhaps also pertinent to note that the search of the baggage of Japanese travelers through the area under the control of General Sung Che-yuan is stated to be, and in all probability is, directed against the immense traffic in heroin, morphine, and other opium derivatives, which is carried on largely by Japanese and Koreans who travel about over Hopei, Suiyuan, and Shansi, carrying their inevitable little satchels, loaded with morphine and cheap hypodermic needles.

But the significance of these searches is believed to lie rather in the fact that the Chinese authorities now dare to undertake them, in the manner in which the soldiery carry them out, and in the attitude of intelligent Chinese toward them, as revealed in the doubtless typical instance reported here. > In his address the speaker referred to above said, "How many ultimatums would have been delivered,

how

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

- 5 -

how much compensation would have been paid, how many
 abject apologies would have been offered, if this had
 occurred a year or even six months ago!"

To the officer of this Consulate General who
 heard the address, a sober Peiping Chinese remarked
 at its close, "I think it is foolish for Chinese to
 talk and act like that. We should keep quiet until
 we are prepared to act."

Respectfully yours,

David C. Berger,
 American Consul.

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 RSW:mhp

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Copy to Embassy, Nanking.
 Five copies to Department of State without covering
 despatch.

A true copy of
 the signed origi-
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

No. ---

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RECEIVED
DEPT. OF STATE

AMERICAN CONSULATE GENERAL

937 MAY 5 PM 3 45

Tientsin, China, April 5, 1937.

793.94

SUBJECT: Present Political Situation in North China.

COPIES SENT TO
G.N.I. AND M.I.D.

APR 24 1937
EASTERN AFFAIRS
MAY 4 - 1937
Department of State

THE HONORABLE

THE SECRETARY OF STATE

WASHINGTON.

NOT FOR PUBLICATION

SIR:

I have the honor to transmit herewith a copy
of my despatch No. 447 of today's date, addressed
to the Embassy at Peiping on the subject of the
Present Political Situation in North China: Memo-
randum of Conversation with Chinese official.

Respectfully yours,

David C. Berger
David C. Berger
American Consul.

A/C/C
RECORDING DESK
FILE - WHB

Enclosure:

- 1. Copy of despatch No. 447 to Embassy, Peiping, dated April 5, 1937.

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RSW:M

Original and four copies to the Department.

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MAY 26 1937

FILED

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

NO. 447

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN CONSULATE GENERAL

Tientsin, China, April 5, 1937.

SUBJECT: Present Political Situation in North
China; Memorandum of Conversation with
Chinese official.

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Peiping.

Sir:

I have the honor to refer to this Consulate General's despatch No. 444, dated April 1, 1937, on the subject of Sino-Japanese incidents on the Suiyuan Railway, and further in that general connection to enclose a copy of a memorandum setting forth the views of an official of the Hopei Provincial Government on the present political situation in North China.

The informant has held various positions in the Municipal Government of Tientsin and in the Provincial Government of Hopei for the last six years, such influence as he wields being ascribed among Chinese to his facility in Japanese and to his wide connections among Japanese nationals in Tientsin.

The Embassy will note that the informant does not believe that the rendition of the East Hopei Government to Chinese sovereignty is likely to

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

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to occur in the near future; that he does not credit the report that the Japanese North China Garrison had informed the Economic Mission that it must not proceed to North China; that in connection with the so-called railway incidents he does not believe that they are at present the subject of negotiations; with relation to the Tsangchow incident that he states that he knows it to be still unsettled; that no progress is being made in the program for Sino-Japanese economic cooperation in North China, nor in the construction of the Tsangchow-Chilchichuang Railway or the development of the Lung Yen mines, both of which are specific items in that program.

Respectfully yours,

David C. Berger,
American Consul.

Enclosure:

1. Copy of memorandum,
as stated.

BOC
REW:M

Original to Embassy, Peiping.
Copy to Embassy, Nanking.
Five copies to Department, under
cover of unnumbered despatch, dated
April 5, 1937.

.....
A true copy of
the signed original
is
M

146

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

Enclosure No. 1 to despatch
No. 447, April 5, 1937, to
Embassy, Peiping, on subject
of Present Political Situation
in North China.

AMERICAN CONSULATE GENERAL
Tientsin, China.

April 2, 1937.

M E M O R A N D U M

Subject: Certain Remarks of an Official of the
Hopei Provincial Government on the
Present Political Situation in North
China.

In the course of a call at this Consulate General this morning, Mr. Ch'en Tung-sheng, the Chief of the Tientsin office of the Hopei Provincial Government, made the following remarks on the political situation in North China:

Asked if he believed that the rendition of the East Hopei Government to Chinese sovereignty was likely to occur in the near future, Mr. Ch'en stated that the Chinese were continually urging its return but that he thought that the Japanese would remain unwilling to return it for some time to come.

Referring to the present political situation in Japan, he stated that in his mind it illustrated the truculence of the military party in that country. When the Diet had either to be dissolved or Hirota's cabinet to fall, they would not permit the dissolution of the Diet and forced Hirota out because the military budget had not yet been passed, but once the appropriations had been gotten through, they themselves forced the dissolution of the Diet to check its criticism of the military group.

But Mr. Ch'en did not believe that this situa-

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 -

tion would have any immediate direct effect on North China. He remarked that with the installation of the new Cabinet the Japanese had apparently made an effort to create a better atmosphere, one of the moves made to this end being the despatch of the Kodama Japanese Economic Mission to China. The members of this mission, however, seemed to believe that a solution of the present situation should be sought through economic collaboration between China and Japan, whereas the authorities of the Wanking Government and other Chinese leaders had maintained in their discussions with the Kodama Mission that a solution of the political situation should precede and serve as a basis for economic collaboration. Mr. Ch'en indicated that in his opinion these two views were incompatible.

I asked him if it were true that the Japanese North China Garrison had informed the Economic Mission that it must not proceed to North China, as the newspapers had reported. He said that he did not believe that this was a fact because, in the first place, the Economic Mission was not an official one, and in the second place, several of its more important members had come to North China, visiting both Tientsin and Peiping, and although the visits were stated to have been purely personal, they could not have been without some relation to the affairs of the mission on which they had come to China.

Asked as to the status of the so-called "Railway Incidents" which arose out of the search by Chinese soldiers

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

- 3 -

soldiers of Japanese passengers on the Peiping-Suiyuan Railway, Mr. Ch'en said that there had been some discussion of these searches a week or so ago but that they were not at present the occasion of further discussions or negotiations.

With reference to the Tsangchow Incident, he said that it was still unsettled. He recalled that Mr. Liu had called him up several days ago to ask about it and that at that time he had not been sure whether or not it had been settled but that he now knew definitely that no settlement had been reached. I asked him about the nature of the Japanese demands but he said that he did not know what they were or even whether they were of a serious nature. There were at present no negotiations on the incident, he stated.

With reference to the progress of economic cooperation in North China, Mr. Ch'en said that he believed that it was practically at a standstill, due to the fact that the Japanese had no money to invest. He explained this statement by saying that the military clique in Japan were very desirous of encouraging the investment of Japanese capital in North China, but that they sought only the defense of Japan and that they did not care anything about whether the investments which they ordered Japanese financiers to make would pay; > that what it amounted to was that they were asking the Japanese to sink their money in losing propositions in North China in the name of national interest but that so far as he could see there were very few business men, Japanese

or

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or otherwise, who were very patriotic where profits were concerned; that when they invested money they wanted some return on it.

No progress is being made, according to Mr. Ch'en in the plans for the construction of the Ts'angchow-Shihchiachuang Railway, nor is the development of the Lung Yen mines going forward. Mr. Ch'en did not believe that the failure of "economic cooperation" and other schemes of the Japanese army would drive them to any overt action such as an open invasion of North China. He believed that the present situation was much better than that which obtained a year or two ago in North China, when autonomy movements were springing up everywhere.

In his opinion the least which the Chinese will accept would be the rendition of East Hopei and of Northern Chahar, and the cessation of smuggling, as conditions precedent to entering upon any of the various economic collaboration schemes. > He stated that in the last two years the Central Government has made fairly complete preparations for war and that the capture of Pailinguiac with enemy supplies which were taken at the same time was an evidence of the extent to which the Central Government had gone in preparing for war.

Robert S. Ward,
American Consul.

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RSW:M

its signature

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

NO. 172.

AMERICAN CONSULATE GENERAL

Singapore, S.S., April 12, 1937.

SUBJECT:

Address of Dr. Theodore E. Hsiao.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have the honor, with reference to despatch No. 150 of March 19, 1937, concerning an address delivered before the Singapore Rotary Club by Dr. L. A. Mills of the University of Minnesota on the Far Eastern situation, to report that Dr. Theodore E. Hsiao, an official of the Chinese Foreign Office now on a tour of inspection of consular offices in this area, in speaking before the same organization on April 7, 1937, criticized Dr. Mills severely and added comments that were uncomplimentary to the United States. He also made statements offensive to the Japanese present. His tactlessness in so addressing an international group made a bad impression and led to considerable criticism.

Referring to Dr. Mills as typical of people who knowing nothing about China undertake to instruct others and as a consequence give a false impression of that country, he went on to say that it did not become one who was from a country where white mobs cruelly murder negroes and where the police in the largest cities must use armored cars to protect them from bandits to criticize

China

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

- 2 -

China for lawlessness. After more in the same vein he referred sarcastically to Dr. Mills' statement that China was weak and rich while Japan was poor and strong, saying that China was not remaining weak but was "arming to the teeth". He accused "our little brother, Japan" of being one of the worst offenders when it comes to giving an untrue picture of China.

The speaker said that while at Oxford one of his professors asked him why China insisted on adopting American methods when she had so much in common with Great Britain. Here he attempted an imitation of Lin Yu-tang on the same subject, i.e. similarities between the Chinese and the British, but succeeded only in being needlessly unpleasant about the United States and sycophantic toward Great Britain to the obvious discomfort of both the British present and their foreign friends. He said near the close of his address that China had always wanted Great Britain as an ally and that he was delighted to say that recent events were well on the way toward a realization of that goal.

The person who proposed the customary vote of thanks to the speaker took care to say that while members might not agree with everything he had said all could compliment him on his enthusiasm. Press summaries of the speech omitted the more objectionable and indiscreet portions, and no editor commented on the statements made. A Chinese correspondent however took Dr. Hsiao to task for choosing an inappropriate place for his remarks and for having subsequently made unjustified criticisms of the local Chinese community. On the whole the consensus

of

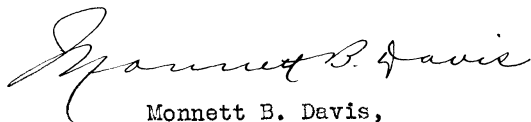
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

- 3 -

of opinion appears to have been that the remarks were in poor taste but of insufficient importance to warrant any further notice being taken of them.

Respectfully yours,



Monnett B. Davis,
American Consul General.

no carbon

Distribution:

Original and four copies to the Department.
One copy to the American Embassy, London.
One copy to the American Embassy, Peiping.

File No. 800
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

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WA

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

May 20, 1937.

~~MSM~~
~~WCV~~
~~MMH~~

Reference Shanghai's No. 712, April 8, 1937, entitled "Visits of Japanese Trade Groups to Shanghai in March."

Between March 11 to 13 in Shanghai there was a conference of the Federation of Japanese Chambers of Commerce in China. The conferees approved a proposal for Japanese legislation subsidizing Japanese exports to China and discussed (1) the lifting of the Japanese Exchange Control Law, (2) the downward revision of Chinese customs tariff, (3) the financing of Japanese business in China, (4) discriminatory Chinese railway tariffs, and (5) Sino-Japanese economic co-operation.

The Japanese Economic Mission arrived in Shanghai on March 14. The spokesman said that they came to China at the invitation of the Sino-Japanese Trade Association and had no special mission to perform. At Nanking the Mission was received by high Government officials, including General Chiang Kai-shek, Mr. Wu Ting-chang, and Dr. H. H. Kung. Goodwill speeches were made by both sides, of which mutual respect and understanding was the keynote. The Mission met at Shanghai between March 18 and 20, where again good-

will

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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

-2-

will speeches were made and some frank views exchanged. At private informal sessions such problems as smuggling, tariff revision and the north China situation were discussed.

Some Japanese newspapers condemned the Mission as a failure, but Mr. Kodama, the Japanese head of the Mission, denied this. A mutual pledge for cooperation in cotton production appears to have been one definite accomplishment.

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

NO. 712

OFFICE OF ECONOMIC AFFAIRS
 MAY 26 1937
 DEPARTMENT OF STATE

AMERICAN CONSULATE GENERAL

Shanghai, China, April 8, 1937. *Copy - 2A*

337 MAY 4 PM 1 58

DIVISION OF
 TRADE AGREEMENTS
 TA
 JUL 2 1937
 DEPARTMENT OF STATE

COMMUNICATIONS
 AND RECORDS

Source: Ref 1/6 Commerce, 244, 1937

SUBJECT: Visits of Japanese Trade Groups to
 Shanghai in March.

THE HONORABLE

THE SECRETARY OF STATE,

FOR GUARDED
 DISSEMINATION ONLY.

COPIES SENT TO
 U.N.I. AND M.I.D.

WASHINGTON.

Division of
 FAR EASTERN AFFAIRS
 MAY 5 - 1937
 Department of State

SIR:

I have the honor to supplement radiograms sent
 in March by the Embassy in Nanking to the Department
 in regard to the visit of the Japanese Economic
 Mission to Nanking with the following general information
 about visits of Japanese trade groups to
 Shanghai in that month.

CONFERENCE OF JAPANESE CHAMBERS OF COMMERCE.

Representatives in Attendance.

On March 11 to March 13 in Shanghai there was
 a conference of the Federation of Japanese Chambers
 of Commerce in China which was attended by representatives
 from the Chambers of Commerce in Shanghai,
 Peiping, Tientsin, Tsinan, Tsingtao, Hankow, Hong Kong,
 and Dairen, as well as observers from the Chambers of
 Commerce in Nagasaki and Fukuoka, the Japan Chamber
 of Commerce and Industry, the Japanese Ministry of

Commerce

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 JUL 1 1937
 SECRETARY OF STATE

JUL 14 1937

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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

- 2 -

Commerce and Industry, the Japanese Consulate General in Shanghai and the Commercial Councillor's office in Shanghai.

Emphasis on Export Credits.

One of the main things reported to have been on the list of agenda was the question of urging upon the Japanese Government the adoption of a scheme similar to the German and British systems of governmental guarantees for export credits. Such German and British credits are considered by Japanese businessmen in China to be having a detrimental effect on their operations in China.

It is said that before the close of the conference the conferees unanimously approved a proposal to encourage the passage of legislation in Japan for the subsidizing of Japanese exports to China and the creation of an exports guarantee system.

Various groups especially emphasized the desirability of obtaining subsidies for the development of Japanese commerce in the Yangtze valley.

Japanese Exchange Control Law.

Another subject listed for discussion was the Japanese Exchange Control Law, which is alleged to work to the detriment of exporters from China by limiting the purchasing ability of Japanese importers.

Downward Revision of Chinese Customs Tariff.

The conferees also discussed the question of the Chinese Customs Tariff and its possible downward revision, but it is not yet known what suggestions

were

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

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were finally made to bring about such revision.

In this connection, during the conference, a local Japanese newspaper, the SHANGHAI MAINICHI recommended:

"Although the revision of tariffs is very desirable from our point of view, it may prove to be unacceptable to China. Therefore, the decisions reached by the conference must always lie in the bounds of easy realization."

Other Subjects Listed for Discussion.

Other subjects listed on the agenda are said to have been the following:

Means for improving the financing of Japanese business in China;

Improvement of the facilities for borrowing with real estate as security;

The alleged discriminatory tariff by Chinese railways against Japanese goods or goods manufactured in China by Japanese (this subject being brought up by the Tsinan Chamber of Commerce);

Sino-Japanese economic co-operation.

Co-operation with China.

At the opening session attention was drawn to the recent industrial progress of China and the need was stressed of aiding China's exports and at the same time of encouraging China to purchase Japanese goods.

The president of the Japanese Chamber of Commerce in Shanghai, Mr. Masaji Yoshida, who is manager of the Shanghai branch of the Mitsubishi Bank, is said to have remarked:

"China is now making great strides in economic development and in political unity.

We

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We must secure a full understanding of this situation.

"Simultaneously, I believe that now is the time for bringing Sino-Japanese relations out of the muddle in which they have been in the past and for starting them on a new path of equity and friendship."

In one speech Mr. Yoshida is reported to have made these statements:

"How to improve and maintain friendly relations between the two countries is the most important question of the day. We business men must make efforts to bring about economic co-operation.

"For that purpose, first of all we must have a correct knowledge and understanding about the necessity for economic co-operation. . . We must strive to improve this economic co-operation so steadily and closely as to be able to avoid any political and other troubles arising.

"China is now making great progress in her national unification, both politically and economically. To carry on this unification, it may be necessary to have foreign assistance, more or less. However, the only thing I am very much afraid of is that, if the relation between China and Japan is inharmonious and hostile, China's seeking assistance from any foreign country is liable to be very dangerous to both countries."

In one speech Mr. Yoshida, in explaining the importance of the adoption of consistent policies by Japan and China towards each other, drew the analogy of a person holding a pencil in each hand and trying to draw a circle with one and a square with the other, and added:

"It simply cannot be done. Every country must adopt one policy and adhere to it."

CONFERENCE OF JAPANESE ECONOMIC MISSION
AND SINO-JAPANESE TRADE FEDERATION.

Alleged Object of Mission.

The Japanese Economic Mission arrived in Shanghai
from

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from Japan on March 14. The head of the Mission, when asked about its aims and hopes, merely told interviewers:

"We came here at the invitation of the Sino-Japanese Trade Association, and have no special mission to perform."

Important Business Leaders in Mission.

In the Mission were fourteen of Japan's leading bankers, industrialists, shipping men and business men, as follows:

Kenji Kodama, head of the Mission and former President of the Yokohama Specie Bank;

Noboru Ohtani, President of the Nippon Yusen Kaisha;

Keizaburo Kato, President of the Bank of Chosen;

Hyakutaro Miyakegawa, adviser to the Mitsubishi Trading Company;

Seihiro Miyajima, President of the Nisshin Cotton Textile Company;

Reisuke Ishida, managing director of the Mitsui Bussan Kaisha;

Shin Hori, President of the Nisshin Kisen Kaisha;

Ikuki Akiyama, adviser to the Mitsubishi Goshi Kaisha;

Aiichiro Fujiyama, President of the Nippon Sugar Company;

Kyoichi Aburatani, director of the Sino-Japanese Trade Association;

Otokichi Shoji, President of the Tokyo Cotton Textile Company and Chairman of the Dai-Nippon Cotton Textile Association;

Kensaku Ohira, managing director of the Sumitomo Bank;

Ichiji Iio, President of the Dong Shing Spinning and Weaving Company;

Risaburo Toyoda, President of the Toyoda Cotton Spinning and Weaving Company.

Welcoming

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Welcoming Statements of General Chiang Kai-Shek.

Before holding meetings in Shanghai, the Japanese Economic Mission went to Nanking. There it was received by high Government officials.

According to a Central news despatch from Nanking, General Chiang Kai-Shek told the Mission that China desires the friendly help and advice of Japan since the gigantic reconstruction movement which China is undertaking may be likened to the transformation of Japan during the Meiji era. He hoped that members of the Mission, being industrial and commercial leaders of Japan, would sympathize with the reconstruction efforts of China and that they would unreservedly criticize and point out the faults of the economic and other reconstruction projects which are being carried out in China. He assured them that Chinese industrial circles would unquestionably accept their advice and would follow their footsteps so that China's culture and economy might rise to the same plane with Japan's for the stability of Oriental peace and welfare.

Oriental should respect Oriental culture and if Oriental nations do not have Oriental culture as their basis of work, they can never get along and co-exist with other nations. The characteristics of Oriental culture are magnanimity and morals, politeness and righteousness. While he was studying in Japan, he admired the courteousness and amiability of the Japanese people. Seeing that this is the secret of Japan's success, he later resolved to offer his life for the
cause

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cause of the revolution with the hope of restoring China's ancient spirit and position and to glorify Oriental culture. When in Japan in 1928, General Chiang met the late Viscount Shibusawa, one of Japan's industrial magnates, who presented him a copy of a specially-edited "Analects", calling particular attention to one proverb: "Do not do unto others what you do not want others to do unto you." This was considered by the Viscount as the characteristic of Oriental culture.

Remarks of Chinese Minister of Foreign Affairs.

In addressing the Mission in Nanking, Dr. Wang Chung-hui, Minister of Foreign Affairs, is reported to have remarked that due to the psychological barriers created by unfortunate developments, full possibilities of Sino-Japanese economic co-operation had not been realized, although such co-operation might be expected from the two neighboring countries whose peoples were united by community of face and language. The removal of these barriers from their causes would be the first essential step towards the attainment of such aspirations.

Statements of Chinese Minister of Industry.

Mr. Wu Ting-chang, Minister of Industry, at an official dinner in Nanking for the Mission, is reported to have said that the object of the rapprochement is to seek mutual benefits and not sole benefits and that the way to do this is to shake hands and not wave fists at each other. If the Chinese and Japanese people

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people have a clear perspective of the real meaning of rapprochement, there is no reason why Sino-Japanese economic co-operation cannot be achieved. It is only natural for China and Japan to effect an economic rapprochement and the only reason why this has not yet been achieved may be attributed to human failures. Mr. Wu hoped that both parties would take the opportunity frankly to point out each other's faults so that a workable way might be found.

Emphasis of Chinese Minister of Finance on Good Will.

Dr. H. H. Kung, the Minister of Finance, is said to have made the suggestion that, in order to develop trade with China, Japan must adopt good will as her trade mark. He hoped that the members of the Mission, as economic leaders of Japan, would:

- (1) conduct a thorough survey of the economic situation in China and gain a definite perspective so that they may promote economic relations which may be beneficial to both countries;
- (2) exchange opinions with the Chinese members of the Sino-Trade Association in a frank and open manner for the mutual benefit of China and Japan; and
- (3) sweep away threatening clouds which have hitherto hovered over the horizon of China and Japan so that future Sino-Japanese relations may head for a brighter direction.

Reply of Japanese Mission.

Replying on behalf of the Japanese Mission, at one official dinner, Mr. Kato, President of the Bank of Chosen, is reported to have pointed out that the reason why the present relations between China and Japan were strained was probably due to geographical propinquity

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propinquity and "too much understanding." China and Japan are both imitating western civilization. While worshipping Occidental culture, they lack mutual respect for each other. Whatever difference exists can be patched up if, like a model husband and wife, they are willing to show one another mutual consideration.

Objects of Sino-Japanese Conference.

The Japanese Mission, claiming to have come merely because of an invitation, without any special object, and denying that they had prepared a set of ten proposals, left it to the Chinese to explain the purposes of the conference of the Sino-Japanese Trade Federation in Shanghai.

Before the conference began, the program seemed somewhat vague. The general purpose was said to be the improvement and maintenance of friendly relations between China and Japan and the reaching of an economic understanding for the benefit of both countries.

Expression of Chinese Viewpoints.

Some 125 members out of a total membership of 269 in the Sino-Japanese Trade Federation, with the Chinese predominating, attended the Shanghai conference, which lasted for three days from March 18 to 20.

At social functions in honor of the Japanese, as well as the meetings of the conference, Mr. Chow Tso-ming, President of the Federation, had several opportunities to express the viewpoints of the Chinese. Mr. Chow said that the Japanese Economic Mission could

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very well be interpreted as the starting point for economic co-operation between the two countries. Japan and China, being neighbor nations, should live like brothers. Trade relations between the two countries in the past have not been developed to the degree generally expected. Japan got only 15.49% of China's foreign trade in 1936 and China took only 7.3% of Japan's exports. He pointed out that most of the Chinese members of the Federation had no direct political relations, but he was of the opinion that in this present world politics and economics are practically indivisible. There have been numerous obstacles in the political relations of the two countries, but the industrial and economic leaders of both countries should assist in removing these obstacles in order to pave the way for the materialization of a Sino-Japanese economic rapprochement. Fundamentally the economic leaders of the two countries should exert themselves in the task of influencing their own people to the necessity of having a new conception of each other's position.

On one occasion Mr. Wang Hsiao-lai, president of the Shanghai Chinese General Chamber of Commerce, said that the removal of Sino-Japanese political friction is a necessary prerequisite in bringing about economic rapprochements. He also made an outspoken declaration that existing conditions in North China formed one of the most important obstacles to be overcome in promoting Sino-Japanese friendship.

On

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On March 20, in Shanghai, Mr. Sun Fo, President of the Legislative Yuan, is reported to have declared that political obstacles between China and Japan must be removed first before Sino-Japanese economic co-operation can be realized. Citing the situation in Eastern Hopei and Northern Chahar and the rampant smuggling in North China, he added that prior to the settlement of these problems, it is premature to talk about Sino-Japanese economic rapprochement. Co-operation between any two countries should come about under the condition that these countries are on the same and equal footing. If China wishes to co-operate with another country, the prerequisites must be strength and resolution to resist foreign aggression. He welcomed the co-operation of any country with China, provided that that country treats China with equality and that said co-operation does not entail the infringement upon her sovereign rights and territorial integrity. <China will never accept co-operation that is detrimental to her national interests. As to the abolition of extraterritoriality which foreign nationals enjoy in this country, the solution of this thorny problem is much dependent upon the strength of the Chinese people.

Remarks by the Japanese during Shanghai Conference.

Mr. Kodama, head of the Japanese Mission, on different occasions, said that his Mission, being made up of business leaders, was not disposed to discuss political questions. In their capacity as business

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men the Japanese visitors would do their best to promote Sino-Japanese friendship. He admitted the Chinese contention that Sino-Japanese relations would improve by a settlement of existing political issues was tenable, in principle. <He did not believe that the relations between the two peoples would improve by a settlement of political questions.> The Japanese and the Chinese must first seek to soften their sentiments towards each other, by investigating the complicated causes for the existing state of affairs and then endeavoring to correct those conditions. Economic co-operation is not something that one can hope to achieve in one stroke and it would be necessary to carry on slowly and steadily. The present improved political atmosphere should be utilized to better the economic relations between the two countries. The economic leaders of the two countries should co-operate in their efforts to bring about the materialization of a new conception for each other, thereby enhancing Sino-Japanese friendship by means of closer economic ties.

At one dinner Mr. Tatsuo Kawai, the Japanese Consul General in Shanghai, is said to have remarked:

"In dealing with Sino-Japanese problems, the leading businessmen of the two nations must regard them from the broader point of view of the welfare of the entire Orient.

"It is only natural for the representatives of both China and Japan to think of the well-being of their countries. Yet, they must go a step further, and, in formulating their policies must think of the welfare of the Orient at large. In other words, their nationalism must give way to something that can be called 'Orientalism.' The latter must be considered first; nationalism must come next."

Discussions

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Discussions at Informal Sessions.

A number of informal sessions were held in private homes and elsewhere and although those taking part in discussions were pledged to secrecy, it appears that three of the major problems which were thus talked about informally were smuggling, tariff revision and the North China situation.

Mr. Seijiro Miyajima, President of the Nisshin Spinning Company, is reported to have intimated later to a Japanese journalist that the Conference was "utilized solely for the purpose of exchanging complaints."

Reported Conclusions Reached by Japanese Mission.

According to a Shanghai correspondent for the TOKYO ASAHI, the Japanese Economic Mission, after their talks with the Chinese, were impressed with the following needs:

1. Clear recognition of China's unshakable place in the comity of modern States;
2. Respect for the present status quo between Japan and China;
3. Concentration of Japan's efforts in North China in developing her economic influences.

It was impossible not to recognize that China has firmly established herself in the family of modern nations and it would therefore be necessary for Japan, her neighbor, to render assistance to her in her painful effort in evolution. Japan has ample room for economic expansion in China, especially in view of the latter's repeated hope that Japan would give her assistance. In advancing Japan's economic interests,

respect

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respect must be shown for the status quo between the two countries. For the present, it would be impossible for Tokyo to do anything more than minimize the points of friction between Japan and China caused by a number of incidents from time to time. <Japan's effort must be directly chiefly toward North China rather than the Yangtze Valley where British influence is firmly entrenched. Japan must establish her base of operation in North China as a lever to extend her interests gradually southward towards the Yangtze.

Failure of Mission to Visit North China.

The Japanese Mission was understood to be planning at first to go to North China but in the end it disbanded, most of the members returning directly to Japan and only three going North inconspicuously as private individuals. In Chinese circles the report spread that the Japanese military in the North, upon learning that the Mission was being treated in Nanking and Shanghai almost as an official body, dropped hints that its visit to North China would not be regarded with favor.

Criticism of the Mission in the Japanese Press.

The TOKYO ASAHI condemned the Mission as a failure and sharply criticized it for putting political issues above all considerations. Japan now has no alternative but to go on with the economic development of North China. A belief is gaining ground in Japan that the maintenance of the status quo in North China is the utmost concession that Japan can make to China. Any

further

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further concessions would only tend to complicate the situation. If the question of the East Hopei administration is taken up, the haughty Chinese will immediately challenge Japanese interests in North China, as they did years ago in Manchuria. The question of special trade in East Hopei can be amicably settled without making changes in the present administration of the region.

The SHANGHAI NIPPO SHA said that the net result of the Mission's visit to China had apparently been nil. Chinese attempts to promote Sino-Japanese economic co-operation by discussing political issues with the Japanese Economic Mission, on the grounds that politics and economics are inseparable, show an appalling ignorance of the situation in Japan. The Japanese Mission was composed, it is true, of very influential financiers and business men, who have ability to lead Japanese public opinion to a certain degree; but they are not omnipotent. Even though the Chinese have asked members of the Mission for a modification of Japan's foreign policies, they would be unable to obtain decisive results.

Reply of Mission Head to Press Criticism.

Mr. Kodama categorically denied that the Mission had been failure and said that the newspaper had based its opinion on a wild guess. Its views were diametrically opposed to impressions obtained by the Mission in Nanking and Shanghai and to the spirit in which the Sino-Japanese conversations were carried on. Actually the Japanese and Chinese delegations to the conference amicably

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amicably exchanged frank views and regarded with optimism the effects of the conference.

Comments of Foreign Minister Sato on Mission.

A Domei despatch from Tokyo on March 23 reported Foreign Minister Sato as having told the Diet that the visit of the Japanese Economic Mission to China was useful in deepening the mutual understanding of the true conditions in the two countries through personal contact between their business leaders. This contact was especially significant because Japan's policy in China aims at cultural and economic co-operation before taking up political negotiations. These statements were made in answer to an interpellation by a member of the Diet who had declared that apparently negative results were achieved by the Mission's visit to China.

The same Diet member then asked Mr. Sato whether it was not necessary to prepare the ground for diplomatic negotiations separately on North and South China. In the course of further remarks, Mr. Sato said that the problems of North, Central and South China demand separate consideration. He hoped to give as much assistance as possible to China's five year rehabilitation program. Turning to North China and also the so-called "special trade" in that region, he said that the Japanese Government will welcome Japanese investments in the northern provinces. Japan is not directly concerned with the so-called "special trade" in North China, but the Japanese Government is paying special attention to the question, which has an important bearing on Japan's trade with China.

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He also made the statement that Japanese banks in China are at liberty to dispose of their silver reserves in any way they see fit.

Friendly Silver Stock Gesture of Japanese Banks in China.

Reportedly as the result of an agreement reached between Mr. Kodama, head of the Mission, who remained a few days longer in Shanghai, and Mr. Hsi Teh-mou, General Manager of the Banking Department of the Central Bank of China, Japanese banks in China are said to have finally followed the example set by other foreign banks and to have handed over their silver holdings to the Chinese official vaults. The amount turned over is estimated at C\$9,000,000.

Accomplishments of the Sino-Japanese Conference.

On March 26 both Mr. Chow Tso-min, the President of the Sino-Japanese Trade Federation, and Mr. Kodama, head of the Japanese Mission, issued written statements, in which were emphasized the following two accomplishments of the Sino-Japanese conference in Shanghai:

1. It has been decided that closer connection be effected with regard to Sino-Japanese financial enterprises;
2. It has been decided that joint efforts be made by the Japanese and Chinese regarding the promotion of cotton planting and an increase in its production.

Comments of Japanese on Their Return to Japan.

On returning to Japan three of the members of the Japanese Mission reported that in private and free discussions the Chinese business and banking leaders had stressed China's present attitude as not one of active anti-Nipponism but one of passive resistance

to

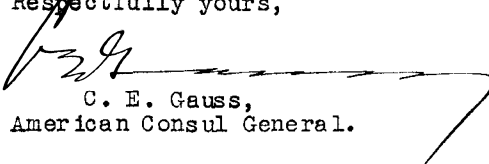
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to Japan. From the Chinese standpoint, the question of North China is a matter of life and death for their nation and this prompts them into adopting an attitude of resistance to Japan. The Japanese delegates said that the Chinese, fired with a spirit of reform and reconstruction, were making extraordinary efforts, each man according to his individual task.

Mr. Kodama said that he would make only a brief report to the Foreign Office, because "the conference had no political significance."

Respectfully yours,


C. E. Gauss,
American Consul General.

File 560
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In quintuplicate to Department of State.
Copies to Embassy, Nanking and Peiping, Embassy,
Tokyo, and Commercial Attaché, Shanghai.

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DOCUMENT FILE

NOTE

SEE 851g.00 P.R.73 FOR Desp.#-

FROM Saigon (Roberts) DATED Jan. 9, 1937
14811 NAME 1-1127 apo

REGARDING: Chinese agitation against Japanese: Reports
regarding -. Demonstration by Chinese in
front of the Chinese Consulate at Saigon.

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795.94/3612

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Part I - Historical Background

1. Chinese Activities Against Japanese.

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 On November 17, 1936 there was a demonstration by the Chinese in front of the Chinese Consulate at Saigon. Several hundred Chinese, most of them being Chinese students, attempted to obtain the authorization of the Chinese Consul for the opening of a subscription for the benefit of their compatriots in China who are trying to block the Japanese encroachment in Northern China and in Manchukuo. At the request of the Chinese Consul the crowd was dispersed by the police and a guard was stationed in front of the Consulate to prevent other demonstrations. It is said that following the demonstration at the Chinese Consulate certain of the Chinese attempted to raise a demonstration in front of the Japanese commercial houses in Saigon but they were stopped by the police. (1)

It is reported that eleven of the ringleaders were arrested and among them were found three delegates of the workers. Five were released and six were held for trial. Three of the prisoners subsequently were deported to China.

The deportation of the three Chinese by the local authorities was responsible for an attack on the Chinese Consul a month later. He was attending a dinner given by one of the rich Chinese in a Cholon restaurant where

(1) 1. OFFICE of Saigon, November 25, 1936.

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some thirty Chinese guests had been invited. According to press reports, some unknown Chinese entered the private banquet room and began to reproach the Chinese Consul with the deportation of three young Chinese students. Before the intruder could be ejected several plates and bottles were broken and the Consul was pushed about. The Chinese host and his guests maintained a discreet silence about the affair. All denied any knowledge of the intruder's identity. (2) (3)

Various rumors are going about. One is that the Chinese political groups in Cholon have telegraphed to the Nanking Government about the attitude of the Chinese Consul. It is very probable that much of the friction is due to the fact that the Chinese Consul is nominated by the Nanking Government while most of the Chinese in French Indochina are Cantonese.

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NOTE

SEE 761.93/1589 FOR #153

FROM U.S.S.R. (Davies) DATED Mar. 26, 1937
TO NAME 1-1127 ***

REGARDING: Attitude of United States with reference to friendly aid to China in the event of Japanese aggression: The Chinese Ambassador in Moscow asked Ambassador Davies concerning same. He was advised that this was a matter to be determined by the President of the U.S. and the Secretary of State.

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DOCUMENT FILE

NOTE

SEE 893.00/14099 FOR Desp. #1173

FROM China (Lockhart) DATED Apr. 10, 1937
NAME 1-1127 GPO

REGARDING: Sino-Japanese relations:Comments on -, in connection
with the political situation in Shantung.

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793.94/8614

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DOCUMENT FILE
NOTE

SEE 740.00/154 FOR Tel. #- 11 p.m.

8 International Sugar
FROM Conference AMDEL (Davis) DATED April 29, 1937
TO NAME 1-1127 870

REGARDING: Conversation with Chamberlain who, in connection with
- the Far East question, thought cooperation in the
economic development of China had great possibilities
for good.

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795.04/3615

Confidential
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893.94

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Tsinan/107 FOR #12

FROM Tsinan (Allison) DATED April 7, 1937
 TO NAME 1-1127 ***

REGARDING: Japanese military activity in Tsinan District; smuggling in
 Tsinan District.

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1. Japan.

a. Japanese Military Activity in Tainan District.

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There was some evidence during the month of increased Japanese military activity in the Tainan district and while there was no single incident of great significance it is believed that the various incidents when taken together may possess more than passing importance. (See Consulate's despatch No. 43 of March 26, 1937) The Consulate learned from the local office of the Standard-Vacuum Oil Company,

that

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that the Japanese authorities in Tsinan had imported from Tientsin during the month 230 units (2300 gallons) of aviation gasoline. As far as is known this is the first time this has been done and it has excited some comment. Japanese planes have continued to make regular weekly trips to Tsinan from Tsingtao or Tientsin but these planes always carry enough fuel for the round trip.

On March 22nd, and 23rd, Tsinan was visited by the Commander of the Japanese Naval Forces in Tsingtao, Admiral Hinoaura and Admiral Suzuki, Chief of Staff of the "Manchukuo" Ministry of Naval Affairs, according to the local press, and also by Major General Kito, Japanese military attache in China. General Kito was entertained at luncheon by Han Fu-chu and before his departure for Tsingtao the evening of March 23rd, he gave an interview to the press in which he said, among other things, that Japan hopes that China will reduce its Customs Tariff.

It was learned from the British Consul that one of his nationals living in Chowtsun (周村) had reported that there had recently been an extraordinarily large number of Japanese in that section of the Province seemingly engaged in making maps of the country north of the Leo-Tai Railway line.

In addition to the incidents reported in the despatch mentioned above, Tsinan was visited on March 23th, by 12 officers from the Japanese forces in Tientsin who, according to the press were on a sightseeing journey. After spending 24 hours in the city they left for Tainan and Tsingtao. On the evening of March 31st, about 40 officers from the Japanese combined fleet which was visiting Tsingtao, arrived in Tsinan

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for a short pleasure trip. These visits are said to be annual occurrences and no special significance has been attached to them.

b. Smuggling in Tainan District.

Large scale smuggling by truck into the Tainan Consular District had practically been brought to a standstill by the end of March due, in main, to the establishment of anti-smuggling offices at various points by the Maritime Customs and to the strong attitude taken by the Provincial authorities. As reported in this Consulate's despatch No. 38, of March 9th, the three truckloads of contraband tobacco and cigarette paper seized near Hweimin (惠民) in Northern Shantung during January, were definitely confiscated by the Shantung authorities instead of being returned to the Japanese as a previous seizure had been.

The press announced that four anti-smuggling posts had been established in Northern Shantung during the month, but according to Mr. Li Tung-hua, Director of the local anti-smuggling bureau, only three have actually been opened at present, at Techow (德州), Hweimin (惠民) and Loling (樂陵). Preparations are being made to open a fourth office at Lintsing (臨清) and it is expected that this will be done in the near future.

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

793 94.

DOCUMENT FILE

NOTE

SEE 894.00 P.R./112 FOR #2368

FROM Japan (Crew) DATED April 16, 1937
 TO NAME 1-1127

REGARDING: Sino-Japanese relations: developments of the month of March, 1937.

793.94/ 8617

FRG.

8617

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II. RELATIONS WITH OTHER COUNTRIES.

(a). China.

793.94
 Although Japan's recently announced intention of adopting a more conciliatory and more equitable policy toward China has relieved the tension between the two countries, nothing of a concrete nature has been effected toward a rapprochement and nothing has been done for the settlement of such outstanding issues as the East Hopei autonomous regime and the smuggling in North China.**** The Chinese have insisted that political questions must be settled before an economic rapprochement can be reached and consequently the Japanese have failed to further their economic aims with regard to North China, the principal of which are the lowering of the Chinese customs tariffs, the establishment of a Japan-North

China

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- * Embassy's despatch No. 2316 of March 18, 1937.
 - ** Embassy's despatch No. 2325 of March 20, 1937.
 - *** Embassy's telegram No. 77 of March 5, 1937.
 - **** Embassy's despatches No. 2317 of March 18, and 2345 of April 2, 1937.

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China air service, the building of a Sino-Japanese railway, and the development of an iron mine in Chahar with Japanese capital. The visit of the Japanese economic mission to China appears to have been more of a failure than a success despite the optimistic remarks made by its chairman, Mr. Kenji Kodama, upon his return to Japan.

On the other hand, Mr. Sato, the newly appointed Minister for Foreign Affairs, stated on several occasions during the month that Japan must deal with China on an equal footing and in a more conciliatory spirit. The military took exception to some of Mr. Sato's remarks on the ground that they were too conciliatory. As a consequence the Minister for Foreign Affairs was forced to make a qualifying statement in the House of Peers to the effect that in advocating a policy of conciliation and patience toward China he did not mean that Japan should be submissive if China trampled upon international justice or damaged the prestige of Japan.* Subsequent remarks were made by Mr. Sato which also showed the influence of the military.** For example, he said that Central and South China must be dealt with in a different way from North China since there were special and peculiar circumstances in the latter region; that the East Hopei and Hopei-Chahar administrations were not a matter for discussion with Japan; and that the question of Japan's "special trade" (smuggling) in the East Hopei region was a concern of East Hopei and should not be discussed with Japan, but that Japan would consider it in connection with Chinese tariffs.

In conclusion, it appeared at the end of the month that Japan still desired to adopt a less aggressive policy toward

China

* Embassy's telegram No. 89 of March 13, 1937.

** Embassy's despatch No. 2345 of April 2, 1937.

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China but the lines on which the policy could be worked out remained undefined owing to certain fundamental differences between the two Governments.

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EE-

TELEGRAM RECEIVED

MM

1-1338

FROM

SPECIAL GRAY

NANKING VIA N.R.

Dated May 8, 1937

Rec'd. 7am.

Secretary of State

Washington D.C.

COPIES SENT TO
 O.N.I. AND M.I.D.

Division of
 FAR EASTERN AFFAIRS

MAY 10 1937

Department of State

NOTE
 793.00

194, May 8, 9am. (Section One).

One. In interview granted yesterday to local Associated Press correspondent (American) by Wang Chung Hui,

Two. Questions submitted were to effect: One, does Chinese Government perceive any useful purpose in sponsoring or participating in a Far Eastern regional pact and are existing accords to which China is party or which have to do with stability in Eastern Asia sufficiently up to date to serve as guarantees for mutual well being of Far Eastern nations and of powers vitally interested in the Orient; two, does China expect to take initiative in securing revision of expired treaties with Great Britain or wait for London or Washington or both to make first move; three, what are China's minimum requirements for resumption of Sino-Japanese negotiations. (SECTION TWO FOLLOWS).

JOHNSON

CSB

793:94/8618

F/HG

0509
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

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MM

TELEGRAM RECEIVED

GRAY
NANKING VIA N.R.

1-1336

Dated May 8, 1937

FROM

Rec'd. 1:40pm.

Secretary of State

Washington, D.C.

194, May 8, 9am. (SECTION TWO).

Three. Following written answers were given in English:

"(One) International developments during the last few years, and more particularly in this part of the world, have forced attention to the inadequacy of the existing peace treaties as guarantees for national security and international peace. This has led to a great piling up of armaments on the one hand and to a quest for regional security on the other.

Though China has suffered severely from foreign aggression, she still believes that the ideals represented by the League Covenant and the Kellogg-Briand Pact afford the best means of securing universal lasting peace. The Chinese Government has given whole-hearted support to efforts to strengthen instruments of peace in order to establish firmly a universal system of collective security. It is our hope that the present state of affairs in which the violation of the independence and territorial integrity of national sovereign states has been allowed to pass with impunity, will soon be remedied.

As regards the question of a Far Eastern regional pact,

the

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mm 194, May 8, 9am. Section Two. from Nanking via NR -2-

the participation and support of the powers interested in the Far East is necessary in order to make it effective. The primary objects of such a pact would be, of course, to reaffirm the principles of mutual respect for territorial integrity and sovereign rights and to provide a more effectual machinery than that now existing for the prevention or removal of any ~~mess~~ state of affairs that might gravely endanger peace and stability in this part of the earth.

"(Two) Such initiative was taken by the Chinese Government when the treaties referred to expired a few years ago. It is unfortunately the fact that not much progress has been made in the intervening period. Since these treaties were concluded in circumstances entirely different from those existing today they are both antiquated and out of harmony with the national consciousness of the Chinese people. The Chinese Government sincerely hope that the task of revising these obsolete treaties will soon be accomplished for the benefit of all concerned.

(Three.) China is always prepared to discuss outstanding issues with Japan in a frank and open manner with a view to finding common points of agreement. The usefulness of such parleys depends on at least two factors. First, the present situation should not be further aggravated by any acts of aggression or infringement upon China's sovereign rights.

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mm 194, May 8, 9am. Section Two. from Nanking via NR -3-

rights. Secondly, the negotiations should not at any stage be prejudiced by actions tending to incite the public feeling in either country.

I am of the opinion that many questions in North China, for example the bogus regime in East Hopei and North Chahar and the smuggling question, can be speedily remedied if friendly words are supplemented by deeds. With a clarification of Sino-Japanese relations in North China, the present situation would undoubtedly be improved, thus facilitating negotiations looking toward a solution of the fundamental issues as well as closer economic ties between the two countries."

(Four.) Sent to the Department. By mail to Peiping, Tokyo.

JOHNSON

SMS

051

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

793.94

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Canton/111 FOR #54 to Embassy

FROM Canton (Linnell) DATED April 2, 1937
TO NAME 1-1127 ***

REGARDING: Sino-Japanese relations: jealous Japanese interest in Sino-British collaboration; favorable initial response to reported Japanese offers to surrender extraterritoriality - nullified by subsequent news of unchanged Japanese policy; continued manifestations of unfortunate Japanese relations with Canton and Kwangsi.

FRG.

793.94/ 3619

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

793.94

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Canton/111 FOR #54 to Embassy

FROM Canton (Linnell) DATED April 2, 1937
 TO NAME 1-1127

REGARDING: Sino-Japanese relations: jealous Japanese interest in Sino-British collaboration; favorable initial response to reported Japanese offers to surrender extraterritoriality - nullified by subsequent news of unchanged Japanese policy; continued manifestations of unfortunate Japanese relations with Canton and Kwangsi.

FRG.

793.94/ 3619

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3. Japan:

(a) Jealous Japanese Interest in Sino-British Collaboration:

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 (49-69)

It was evident that Japan was paying very close and
 jealous attention to the British Ambassador's visit and the
 accompanying signs of Sino-British cooperation and was particular-
 ly concerned over reports of British participation in Hainan
 development. Japanese news agencies enlarged upon already
 vivid Chinese press accounts of Britain's proposed investment
 in the island, and, with apparent truth, claimed that British
 interest in Hainan was primarily motivated by military

consideration

* Despatch No. 61 of March 24, 1937.

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

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considerations. The vernacular and English press meanwhile continued to carry articles accusing Japan of designs to acquire the island as a naval base to facilitate achievement of her "southward advance" program; and local Chinese stated that they were being approached by Japanese quarters desiring to invest in mainland enterprises. A few days following the British Ambassador's departure, a representative of the consular section of the Japanese Foreign Office appeared at Canton, his visit not being divulged to the press.

(b) Favorable Initial Response to Reported Japanese Offers to Surrender Extraterritoriality - Nullified by Subsequent News of Unchanged Japanese Policy:

Reports of Foreign Minister Arita's and Mr. Iwano's expressed readiness to cooperate with backing's proposals to negotiate the abolition of extraterritoriality were favorably though cautiously greeted. For a few days Canton press comment was less hostile to Japan than it has been for many months; and several vernacular papers featured editorials in favor of early abolition of extraterritoriality, one of which was very laudatory of Japan. These developments and the subsequent publication by a local government controlled paper of an editorial "In welcome of the British Ambassador" which called for Britain's surrender of extraterritorial privileges as the price of Chinese cooperation indicated that there might be a factual basis to opinions expressed by CHINA WEEKLY REVIEW (Issue of March 27th, pages 122 and 123) as follows:

"...Tokyo apparently intended to make extraterritoriality its trump card in the forthcoming renewed efforts to effect a Sino-Japanese rapprochement and to check further extension of British influence in this country..... Major General Arita's mysterious interview with General Chiang Kai-shek two weeks ago and his trip North seem to indicate that something is in the air, unless it be the old army practice of starting trouble while the Foreign Office is making new efforts to bring peace....."

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Despatches Nos. 52 and 53 of March 29, 1937.
 Despatch No. 48 of March 17, 1937.

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of possible significance in the above relation, it may be mentioned that, as far as has been ascertained, the local vernacular press published no account of the Chiang-Kita interview, and an account which the English language press ventured to publish on the day following the British Ambassador's arrival here was blackened out by the censor.

Whatever their ultimate significance, the immediate favorable local reaction to the Japanese Foreign Office's reported friendly gestures was largely nullified in consequence of subsequent reports indicating that the Japanese Military was forcing the Foreign Office to abandon whatever conciliatory policy it may have contemplated and that China could hope for no concessions beyond a possible temporary suspension of Japan's positive program of expansion. The local press promptly reverted to its caustic antagonistic tone and one paper went so far as to accuse Kato of deliberate insincerity.

(c) Continued Manifestations of Unfortunate Japanese Relations with Canton and Kwangsi:

There was no let up in practical manifestations of the unsatisfactory state of Japanese relations with both Canton and Kwangsi. The Asahi reported that the Japanese consular authorities had made renewed protests regarding the continued "persecution" of Japanese merchants at Canton, and this Consulate General has reason to believe that the report is probably correct. According to private information from official Chinese sources, the authorities at Canton have recently succeeded in substantially reducing the local importation of smuggled Japanese goods by resort to a new, very effective method whereunder the police, instead of attempting to confiscate the goods, find means to persuade the Chinese distributors that further handling of smuggled wares will not be conducive

the future

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the future profitability of their establishments.

Meanwhile the Kwangsi Government controlled WU WU WU published a detailed report of recent boycott achievements of the Wuhsu Wuhsu Wuhsu Association, an organization which was formed some months ago with the evident approval of the Kwangsi authorities. The report lists eighteen seizures of Japanese wares. The same paper published a speech delivered by Marshal Hsi Chung-hsi on March 23rd in which he characterized Japan's change of policy as a mere transfer of energy from military invasion to a much more sinister and dangerous economic invasion.

Japanese consular officer recently admitted that three requests made by his office for admission of Japanese touring parties to Kwangsi were refused. The present virtual isolation of Japan from relations with Kwangsi contrasts with the situation a year ago, when Japan, although the object of Kwangsi popular hostility, enjoyed ample contact with the Kwangsi authorities through Japanese military advisers and the frequent presence of Marshal Li Tsung-jen at Canton. In this connection it is of interest to note that, in addition to the undersigned, the local Japanese and British Consuls General called on the Kwangsi Provincial Chairman during his recent brief stay at Canton, and the former appeared most anxious to make full use of the opportunity for discussion of business with him.

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TELEGRAM RECEIVED

KLP

GRAY

1-1236

FROM

Canton via N. R.

Dated May 11, 1937.

Rec'd. 2:45 p.m.

Secretary of State,
 Washington.

COPIES SENT TO
 O.N.I. AND M.I.D.

May 11, 4 p.m.

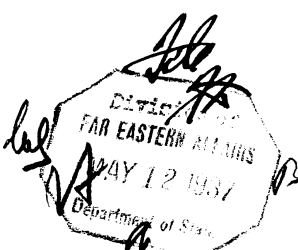
Japanese and Chinese official sources confirm a brief report in yesterday's South China MORNING POST that Japanese Military Attache Kita arrived at Hong Kong May 7th; came to Canton on the 8th; was entertained by Chairman Wu; and left yesterday for Haiphong and Yunnan. A Chinese official stated that local authorities refused approval of his proposal to visit Hainan. The authorities evidently tried to keep his visit here secret and the Canton press made no mention of it.

Central News Agency meanwhile reports that Japanese Naval Attache is due to arrive Canton in a few days en route Kwangsi.

Sent to Peiping, Nanking and by mail to Hong Kong and Yunnanfu.

CSB

FLETCHER



793.94/3620

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MAY 12 1937

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DOCUMENT FILE

NOTE

SEE 823.00 P.R. Tientsin/107 FOR #-

FROM Tientsin (Caldwell) DATED April 7, 1937
TO NAME 1-1127

REGARDING: Sino-Japanese relations for the month of March, 1937: Tientsin consular district.
Japan's North China policy; Sino-Japanese incidents.

FRG.

793.94/ 8621

8621

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B. Relations with other countries.

1. Japan.

a. Japan's North China Policy.

(1) Sugiyama's Reiteration. On

March 1 General Sugiyama, the Minister of War in the present Japanese government, reiterated in the House of Representatives of the Japanese Diet his previous definite statement that the Japanese army would not

invade

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(pg 1-10)

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invade North China. He is quoted as having said that if such a step had been contemplated Japanese troops would not have been withdrawn from the Peiping-Tientsin district after the successful Jehol campaign. (1) Chinese here remembering the plethora of similar statements issued by ranking Japanese civil and military officials just after the September 18 incident, in which they consistently denied aggressive designs, tended to become less credulous as General Sugiyama grew more emphatic.

(2) Sato's Statements. In answer to an interpellation in the House of Peers a few days after his appointment on March 3 as the Japanese Foreign Minister, Mr. Sato, who had been the Japanese Ambassador to France, made a statement regarding Japan's policy toward China which was greeted in Tientsin as elsewhere as envisaging "a new deal" for China. (2) In it Mr. Sato was quoted as having said that Japan should deal with China on a basis of complete equality and in a spirit of restraint and patience. The feeling of optimism which this apparently courageous utterance aroused in North China was rapidly dispelled by the series of statements which Mr. Sato was apparently obliged to make in clarification of his stand. On March 21 in an interpellation in the House of Representatives of the Diet he stated that he had no intention of taking up the "Manchukuo" question in

any

(1) NORTH CHINA STAR, March 9, 1937.

(2) PEKING & TIENTSIN TIMES, March 11, 1937.

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any negotiations with China: that he was giving close attention to the problem of how to safeguard Japanese territories contiguous to Japan (i.e. North China) and that Japan was as firmly determined as ever to maintain the principle of the open door in Central and South China.⁽³⁾ In the Central News Agency version of his remarks he is stated to have said that North China should certainly be treated differently from Central and South China, nor would he discuss the "special trade" in North China; it concerned the East Hopei regime rather than Japan. Apparently in order to further emphasize the fact that the Japanese policy toward North China had not changed, officials of the Japanese Foreign Office were quoted in a Domei despatch as having stated on March 27 that "China's contention that the Shanghai and Tangku Truce agreements should be abolished is inconsistent with the situation... Her demand for the abolition of the East Hopei Government and denial of Japan's special position in North China have been made in disregard of the special position of North China which forms an adjoining area for Japan, Manchukuo and China".⁽⁴⁾

(3) Japanese Military Conference in Tientsin. Following a conference in Shanghai earlier in the month, presided over by Major General Nita, the Japanese Military Attaché,
 and

(3) NORTH CHINA STAR, March 28, 1937, from the JAPAN ADVERTISER, March 22, 1937.

(4) NORTH CHINA STAR, March 28, 1937.

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and attended by Major General Hashimoto, Chief-of-Staff to the Japanese North China Garrison, a meeting of Japanese military officers in North China was opened on March 16 in Tientsin. The resident officers from Peiping, Tungchow, Taiyuan, Shanhaikuan, Reigan and other points in North China were present. (3) Major General Kita, who was scheduled to attend, is reported to have arrived in Tientsin a day or two after the close of the session on March 19. No reliable statement on the subjects discussed or the decisions reached by this conference has become available to the Consulate General, and various press and other reports of the proceedings would appear to be based on conjecture. Informed Chinese here believe that the conference opposed the tendency of the home government to adopt a conciliatory attitude toward China and registered its opposition to the rendition of East Hopei and to any change in the status quo in North China.

(4) Kodama Mission and North China. To observers in Tientsin the Kodama Japanese Economic Mission to China which visited Shanghai and Nanking during March seemed to have served only to crystallize the issue as between the Chinese government, which seeks to secure the rendition of Northern Chahar and East Hopei to Chinese control and the withdrawal of Japanese protection from the wholesale smuggling operations in North China as

the

(5) I SHIH PAO, March 17, 1937.

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the minimum conditions precedent to any discussion of Sino-Japanese economic cooperation in North China, and the Japanese, who seek to continue the present situation in the North and to maintain and strengthen what they consider their special position there, while embarking on various projects for economic cooperation affecting other areas of China.

To the Japanese military the Mission apparently seemed only to afford the Chinese an opportunity to set their side before civilian and comparatively liberal Japanese. It was widely rumored and reported in the press that in consequence of their displeasure the North China Garrison warned the Economic Mission not to visit North China. Various members of the mission did, however, visit Tientsin and Beijing after its official disbandment.

(5) Tokyo Round Table.

round table conference of the Japanese Chamber of Commerce held in Tokyo on March 25 and attended by a group of influential Japanese is reported as having reached the decision that "as regards North China which is proving to be a scourge to the adjustment of Japan's relations with China, Japan's established policy for the region should be firmly maintained". (6)

(6) ASIAN BRIEFING. What

appears to be one of the controlling factors in Japan's present policy toward North China is re-

vealed

(6) PEIPING CHRONICLE, March 27, 1937.

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vealed in an editorial in the Tokyo ASAHI SHIMBUN of March 22, which stated "It is felt that the abolition of the East Hobei area will make China so conceited that it will try to clear North China of Japan's rights and interests...".

b. Sino-Japanese Incidents.

(1) The Ts'angchow Incident.

On March 11 a party of Chinese members of the Peace Preservation Corps of Hobei intercepted a truck loaded with smuggled sugar and carrying a party of six Koreans at a point near Ts'angchow. According to Chinese versions of what followed, the Pao An Tui ordered the truck to stop and when several of its passengers opened fire in reply they returned the fire, wounding three of the Koreans and bursting a tire on the truck so that it ran into an embankment. One of the Koreans was found to be shot dead and another died on the way to Ts'angchow, where the third was treated in a mission hospital for his wounds. The truck was confiscated by the Bureau of Public Safety of Ts'angchow. Japanese consular police, informed of the incident, proceeded at once to investigate it at the scene, and the wounded Korean returned to Tientsin to assert that the attack had been deliberate and that he and his fellows had been ambushed. For several days feeling ran high in the Japanese and Korean communities in this city and some Chinese believed that the Japanese intended to insist upon the execution of at least one of the Chinese who had fired on the truck.

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truck. It was rumored also that they had presented a series of demands as the result of the incident, one of which was that preventive agents throughout the province of Hopei should be disbanded. Informed Chinese accessible to the Consulate General denied any knowledge that such demands had actually been presented although they stated that the incident remained as yet unsettled.

(2) Railway Guards Search

Japanese Baggage. It appears that some time during the first week in March the Hopei Chahar Political Council or one of its subordinate organizations issued an order instructing soldiers acting as guards at railway stations along that part of the Peiping-Guiyuan Railway which lies within the area controlled by General Sung Che-yuan (宋哲元) to begin searching the baggage of Japanese and Korean travellers on that line. The zeal with which the soldiers undertook the execution of this order resulted in a series of so-called "railway incidents" in some of which the Japanese involved alleged that not only their baggage but their persons were searched and in one of which the guards are stated to have refused to recognize the credentials of Consul T. Hagiwara of the Tientsin Consulate General and of the Japanese Consul at Kaiguan. Japanese officials are reported to have protested these searches to General Ch'in Te-ch'un, (秦德純), the Mayor of Peiping, and a member of the Hopei Chahar Political Council, by whom they were assured that

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that the Chinese authorities would protect and assist all Japanese travellers carrying proper credentials and engaged in legitimate business. (7) The object of the order for these searches was unquestionably the reduction of the very large traffic in opium derivatives carried on throughout North China by Japanese and Koreans who travel in considerable numbers on the various railway lines in this province, but the fact that the authorities here now dare to undertake such relatively drastic measures in restraint of what Japanese nationals consider legitimate activities seemed of considerable significance. (8)

(3) Tungchow Affair. On March 22 at about 8:00 o'clock in the evening some sort of an incident occurred just within the Chinese controlled area outside of Tungchow, the capital of the East Asiat regime, involving a Japanese who was variously reported to have been killed, to have been assaulted, and to have been put under detention by soldiers of the 29th Army. The facts appear to be, however, that the Japanese subject in question was detained for questioning for a short period by soldiers of the 29th Army following some sort of a fracas between several Japanese and a group of Chinese soldiers. Of no importance whatsoever in itself, reports that it was to draw a protest from the Japanese authorities gave it what

appears

(7) NORTH CHINA STAR, March 25, 1937.

(8) See also this Consulate General's despatch No. 444, dated April 1, 1937, to the Embassy.

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appears to have been an undue prominence in the press.

(4) Japanese Found Dead in Luanchow. Some excitement near the scene seems to have been occasioned by the discovery of the body of a Japanese some 50 miles west of Luanchow on the morning of March 17. He was supposed to have been shot by a robber, and the fact that his death occurred within the Japanese controlled East Hopei regime made any further action on the part of the Japanese in the case unlikely.

(5) Fight at East Station, Tientsin. The desire of the North China Transportation Company, a Japanese firm in Tientsin dealing in smuggled goods, to secure the transportation of a car-load of kerosene from the East Station to their storage godown for less than the usual rates precipitated an incident at the East Station in Tientsin when a group of Formosan carters, accompanied by two Chinese, who had been hired by the Transportation Company to cart the goods at a lower rate, became involved in a near riot with the regular station carters. In the course of the fight the leader of the Chinese carters was shot through the shoulder, whereafter another carter sought aid from the Japanese police station while his fellows kept the Formosans from fleeing. Although every other report of the case was to the effect that it was one of the Formosans who had fired the shot wounding the carter, officials

of

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of the Peiping-Liaoning Railway, probably governed by a desire to minimize the incident and divest it of its international character, apparently accepted the report, given them by the Japanese police who had made an investigation, to the effect that the shot had been fired by a Chinese. (9)

(6) Sword Waving at Hatamen.

A party of Japanese tourists, including a Japanese Army officer, attempted on March 25 to go up on the city wall of Peiping at Hatamen Gate, but were refused permission to do so by the Chinese soldiers guarding it. After the officer had drawn his sword and flourished it around for a while before the still adamant Chinese, the party left the scene. (10)

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

TELEGRAM RECEIVED

CORRECTED COPY

JR

1-1036

SPECIAL GRAY

Peiping via N.R.

Dated May 12, 1937

Rec'd 1:40 p.m.

Secretary of State,

Washington.

134, May 12, 7 p.m.

Embassy's 128, April 28, 3 p.m., and despatch 1183, April 15.

One. Sung Che Yuan and Han Fu Chu are reported to have met this morning at Laoling in Western Shantung. Sung went there ostensibly to visit the graves of his ancestors. A Chinese official well and favorably known to this Embassy has expressed the fear that they may reach some agreement detrimental to the influence in North China of the National Government for the reasons that (a) Han fears the National Government intends to oust him, (b) Sung is dissatisfied, feeling that the National Government has failed to assist and encourage him properly in his difficult situation, (c) both have long been urged by Japanese to unite and achieve greater autonomy. This informant states that the mayor of Tientsin, Sco Chen Chung Fu (Embassy's 126, April 23, 4 p.m.) went to Japan to obtain "Japanese understanding" in relation to the closer cooperation between Han and Sung and greater separation from the National Government; that

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WESTERN AFFAIRS
MAY 12 1937

793.94/ 3622

FILED

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

CORRECTED COPY

LMS 2-No. 134, May 12, 7 p. m., from Peiping.

that is, Sung and Han want a promise of non-interference from the Japanese.

Two. Local well-placed Chinese believe that Sung's subordinates have become implicated in "reciprocation", and less patriotic as a result of occupying well-paid positions in Hopei since 1935 and of associating with Japanese.

Three. Sung and his subordinates may (mistakenly) believe they would be clever enough to secure further approval of Nanking without playing into the hands of the Japanese military. Their meeting may be, however, no more than for the purpose of discussing their similarly difficult positions and future eventualities.

Four. A deterrent to a radical step by Sung should be the financial situation of his regime. His bank (the Hopei Provincial Bank) is reported to have issued already from 50 to 70 million dollars with an inadequate silver reserve. At present the Bank of China supports this expansion. There are other reports that Sung's financial position is not (repeat not) secure.

By mail to Tokyo.

LOCKHART

CSB

1532

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

LMS

SPECIAL GRAY

1-1236

FROM Peiping via N. R.

Dated May 12, 1937

Rec'd 1:40 p. m.

Secretary of State,
Washington.

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Division of
FAR EASTERN AFFAIRS
MAY 13 1937
Department of State

134, May 12, 7 p. m.

Embassy's 128, April 28, 3 p. m., and despatch 1183,
April 15. 793.94/8622

One. Sung Che Yuan and Han Fu Chu are reported to have met this morning at Laoling in Western Shantung. Sung went there ostensibly to visit the graves of his ancestors. A Chinese official well and favorably known to this Embassy has expressed the fear that they may reach some agreement detrimental ~~with reference~~ ^{the} to influence in North China of the National Government for the reasons that (a) Han fears the National Government intends to oust him, (b) Sung is dissatisfied, feeling that the National Government has failed to assist and encourage him properly in his difficult situation, (c) both have long been urged by Japanese to unite and achieve greater autonomy. This informant states that the mayor of Tientsin, Soo Chen Chung Fu (Embassy's 126, April 23, 4 p. m.) went to Japan to obtain "Japanese understanding" in relation to the closer cooperation between Han and Sung and greater separation from the National Government;

that

793.94/3622

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EA

See
Corrected Copy

193.94

8596

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

LMS 2-No. 154, May 12, 7 p. m., from Peiping.

that is, Sung and Han want a promise of non-interference from the Japanese.

Two. Local well-placed Chinese believe that Sung's subordinates have become implicated in "reciprocation", and less patriotic as a result of occupying well-paid positions in Hopei since 1935 and of associating with Japanese.

Three. Sung and his subordinates may (mistakenly) believe they would be clever enough to secure further approval of Nanking without playing into the hands of the Japanese military. Their meeting may be, however, no more than for the purpose of discussing their ^{similarly} ~~difficult~~ positions and future eventualities. *sgl*

Four. A deterrent to a ^{radical} ~~radical~~ step by Sung should be the financial situation of his regime. His bank (the Hopei Provincial Bank) is reported to have issued ^{already} ~~Chinese~~ from 50 to 70 million dollars with an inadequate silver reserve. At present the Bank of China supports this expansion. There are other reports that Sung's financial position is not (repeat not) secure. *sgl*

By mail to Tokyo.

LOCKHART

csb

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

TELEGRAM RECEIVED

EDA

GRAY

1-1330

FROM PEIPING VIA N.R.

COPIES SENT TO
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Dated May 12, 1937

Received 3:20 p.m.

Secretary of State

Washington

COPIES SENT TO
O.N.I. AND M.I.D.

Division of
FAR EASTERN AFFAIRS
MAY 13 1937
Department of State

135, May 12, 10 p.m.

According to an officer of the local Japanese Embassy
two Japanese and ten Manchukuo police were killed on May
1st during an attack on a Manchukuo ^{police} patrol station by
30 or 40 Chinese bandits at a point north of the Great
Wall in Eastern Chahar. Japanese and Chinese apparently
do not regard the affair as important, although informal
representations have been made to the Chinese authorities
at Peiping by Japanese military officer.

By mail to Tokyo.

LOCKHART

CSB

793.94/8623

MAY 14 1937

F/FG
FILED

0535

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

79394

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Shanghai/102 FOR #697

FROM Shanghai (Gauss) DATED April 5, 1937
TO NAME 1-1127 070

REGARDING: Sino-Japanese relations of March, 1937: Shanghai Consular District.

793.94/8625

FRG.

8625

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

b. Relations with Other Countries.

193.94
Japan. Following the appointment early in the month of Mr. Naotake Sato and Dr. Wang Chung-hui as Foreign Ministers of the Japanese and Chinese Governments, manifestations of a Japanese desire to seek economic rapprochement with China crystallized. A Japanese economic mission, comprising thirteen of Japan's foremost bankers, industrialists and shippers headed by Mr. Kenji Kodama, former President of the Yokohama Specie Bank, arrived in Shanghai on March fourteenth ostensibly to repay the visit of the Chinese Trade group to Japan in 1935. The mission proceeded at once to Nanking where it was received with seeming cordiality by General Chiang Kai-shek, Dr. H. H. Kung, Dr. Wang Chung-hui, and other prominent Chinese leaders. Returning to Shanghai on March seventeenth the mission participated in a series

of

*Telegram of March 23, 3 p.m.,
 Despatch No. 717 of March 23, 1937.

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

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of meetings of the Sino-Japanese Trade Federation held on March eighteenth, nineteenth and twentieth. The discussions on March nineteenth and twentieth, informal and private in nature, were restricted to the members of the board of directors of the Sino-Japanese Trade Federation. While the character of these discussions was not revealed, they were understood to have touched upon all phases of Sino-Japanese relationships, political as well as economic, with a view to bringing about a better mutual understanding between the two countries. The official work of the mission was concluded on March twenty-first but several members of the group, including Mr. Kodama, remained in China for an additional week in order to carry on private conversations and investigations.

It is the general consensus of opinion in Shanghai that the mission's labors were not productive of important results. This may be attributed in part to the reported limitation of the powers of the Japanese mission to an exchange of views regarding economic and political matters and in part to the reported insistence by the Chinese on the settlement of political issues as a condition precedent to economic cooperation. However, a concrete result of considerable interest was the agreement of the local Japanese banks to hand over their silver holdings to Chinese banks. The agreement was effected by Mr. Kodama, leader of the Japanese mission, and has created a very favorable impression in Chinese circles; it has been commented upon in the Chinese press as a hopeful indication of closer Sino-Japanese economic cooperation. The discussions held between the Japanese

members

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

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members of the mission and the leading Chinese financiers and business men of Shanghai were also no doubt helpful and may possibly prove to be a distinct contribution to the establishment of more harmonious relations between the two countries.

Mr. Hsu Shih-ying, Chinese Ambassador to Japan during the past year, returned to Shanghai on March ninth. Mr. Hsu expressed the belief that Japan was preparing to make certain changes and modifications in her policy towards China.

Japanese military and naval officers from various cities in China gathered at Shanghai on March ninth and held conferences for three days during which they are reported to have discussed Japanese policy in China and various routine matters.

The smuggling of copper coins from Shanghai by Japanese subjects resulted in several clashes between the smugglers and preventive officers of the Chinese Maritime Customs. While the activities of these smugglers were condemned by the local Japanese press, it was maintained by the Chinese press that effective action was not being taken by the Japanese authorities to check such illegal activities.*

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

793.94

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Tsingtao/109 FOR #185 to Embassy

FROM Tsingtao (Sokobin) DATED April 5, 1937
TO NAME 1-1127

REGARDING: Sino-Japanese relations for the month of March, 1937:
Tsingtao Consular District.

Visit of Japanese armada of more than sixty vessels; party
of Japanese officers from North China Garrison visited
Tsingtao while vessels were in port; Japanese economic
mission; Salt export agreement.

FRG.

793.94/3626

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

7/1-94
 3. Relations with Japan

Of primary interest in the relations with Japan was the appearance in this port of a Japanese armada of more than 30 naval vessels under the command of the well known Admiral Nagano*. The high ranking officers were entertained by the Mayor of Tsingtao in a cordial manner. No incidents occurred in spite of the presence of 25,000 sailors. While Admiral Nagano did speak at a banquet, his utterances in Tsingtao were obviously marked by great caution. A party of Japanese officers from the North China Garrison visited Tsingtao while the Japanese vessels were in port.

Remarks on Japanese Economic Mission

A local Japanese daily newspaper gave considerable space to an interview with Mr. M. Miyajima, President of the Nishin Bosaki Cotton Mill, who was a member of the Japanese Economic Mission. Mr. Miyajima described the meetings with prominent Chinese in Shanghai as "nonsensical" and mutually querulous. Neither the Chinese nor the Japanese expected any concrete results, Mr. Miyajima added, and the title of the group of Japanese business men, viz., the "Japanese Economic Mission" was a misnomer for which the newspapers were

*See Tsingtao's despatch no. 1-4 of March 30, 1937, file no. 833, subject: Japanese Combined Fleet in Tsingtao.

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

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responsible. (Apparently the Japanese had in mind the American Economic Mission of 1935 which had the same official status and perhaps the same accomplishments).

Salt Export Agreement

The Japanese press mentioned during the month the agreement between the Governments of Japan and China relating to the export of salt to Japan from Tsingtao. By Section VI, Article 17 of the agreement of December 1, 1922, in connection with Shantung (MacMurray, 1919-1929, page 118), Japan agreed to purchase annually within a period of 15 years a minimum of 100,000,000 catties of salt. This period expires at the end of this year and new arrangements covering this very large commerce in salt will be necessary. In the first two months of 1937 approximately 100,000 tons of salt were exported from Tsingtao to Japan; that amount is more than one half of the usual export for an entire year.

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

593.94

DOCUMENT FILE

NOTE

SEE 740.00/170 FOR #3050

FROM Great Britain (Dingham) DATED May 3, 1937
TO NAME 1-1127 GPO

REGARDING: Memorandum of conversation with the Foreign Secretary on the General European situation.

Spoke of the effect of the rearmament program in the United States, especially upon the Japanese, who had recently made overtures towards an understanding vis-a-vis China.

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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

May 27, 1937.

Peiping's No. 1188, April 20, 1937,
 entitled "Japanese Advisers to the Hopei-
 Chahar Political Council and to the 29th
 Army."

Since August 28, 1936, the number of
 Japanese civilian advisers to the Hopei-
 Chahar Political Council has increased
 from five to eight. Each of these ad-
 visers is a man of rank and "substance".
 Each receives his salary from the Japanese
 military and these salaries are greatly
 augmented by money and other contributions
 from the Hopei-Chahar Political Council.
 They are supposed to give advice to the
 Chinese members of the Council; actually,
 they have little to do, and whatever ad-
 vice they give is without significance.

Three Japanese military officers are
 advisers to General Sung Che-yuan's 29th
 Army. Occasionally they smooth out minor
 questions and give lectures to Army offi-
 cers, but on the whole they accomplish al-
 most nothing. They are paid in the same
 fashion as the civilian advisers and live
 under similar conditions. One of the three
 is a Lieutenant Colonel; the other two
 have the rank of Major.

In

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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

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In view of the apparent ineffectiveness of their influence on the progress of Sino-Japanese relations, it is difficult for the Embassy to understand why these advisers are kept in Hopel, unless it be considered that their presence supports the fiction that the relations of the Japanese with the local Chinese authorities are on a firm and intimate basis.

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



EMBASSY OF THE
UNITED STATES OF AMERICA

No. 1188

Peiping, April 20, 1937.

Subject: Japanese Advisers to the Hopei-Chahar
Political Council and to the 29th Army.

793.94

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793.94/8623

DEPARTMENT OF STATE

1937 MAY 17 AM 11 03

DIVISION OF
COMMUNICATIONS
AND RECORDS

The Honorable

The Secretary of State,
Washington, D. C.

Sir:

I have the honor to refer to the Embassy's despatch No. 671/8161 of August 28, 1936, giving information with regard to Japanese civilian advisers to the Hopei-Chahar Political Council, and to describe the present situation in respect to advisers to the Council, as well as to report available information with regard to Japanese military advisers to the 29th Army, of which General Sung Che-yuan is the commanding officer. The information in this despatch has been obtained in large part from a Japanese who is personally acquainted

with

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JUN 3 - 1937

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✓ Karyin FE file
W. H. A. B

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

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with most of the advisers, and his information has been confirmed by a Korean, long known to the Embassy, who is in close association with the Japanese military. Their generalities with regard to the duties of the advisers have been substantiated by a junior official of the local Japanese Embassy and by Chinese officials. Although there may be inaccuracies in details given in this despatch, it is believed that the information is on the whole accurate.

Since the above-mentioned despatch was written, the number of Japanese advisers to the Hopei-Chahar Political Council has increased from 5 to 8. (The first two advisers arrived in Peiping in February 1936.) Of those five, four remain, the other, Mr. Shiro Nagai, who had previously been Director of the General Affairs Board of the Lungkian (Tsitsihar) Province in "Manchukuo", having lost his post as adviser allegedly because of laziness. (The Embassy reported in the above-mentioned despatch that three advisers had lost their positions because of the dissatisfaction of the Japanese military with their work.)

In the list of civilian advisers given below, it will be noted that they are divided into first and second classes, those of the first class being Japanese of chokunin rank, that is, Japanese who have achieved position sufficient to be rewarded with a rank which includes persons ranging from presidents of imperial universities and the governor of Hokkaido down to directors of government bureaus and parliamentary counselors. Each of the second class advisers has sonin rank,

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

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rank, which is next below chokunin rank. In short, each of the advisers is apparently a man of some substance.

These advisers receive salaries from the Japanese military and the salaries are greatly augmented by money contributions from the Hopei-Chahar Political Council, given to assist the advisers in their "social" activities and perhaps also to soften their attitude. The Chinese authorities have supplied each adviser with a motor car. Presumably the Chinese authorities have provided houses as well, as the advisers live in houses which were renovated for them prior to occupancy in a manner suitable for Japanese.

The primary duty of the advisers is supposed to be the giving of advice to the Chinese members of whatever committee of the Hopei-Chahar Political Council to which the advisers may be attached. Actually, according to Japanese and Chinese who ought to know the facts, the advisers have little to do, whatever advice they may give is without significance, and the advisers spend most of their time doing nothing, so far as their official position is concerned. One of the more able of the advisers stated recently in conversation that although he gives advice it never seems to be followed. Most Japanese and Chinese speak of the advisers somewhat scornfully.

It is difficult to understand why, under the circumstances, the advisers are kept here and their number

actually

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

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actually increased, unless it is that the Japanese military regard their presence as supporting evidence for the fiction that the relations of the Japanese with the local Chinese authorities are on a firm and intimate basis and unless it is that the Japanese military hope that the advisers may at some future time find opportunity to help bring about that harmony in Sino-Japanese political and economic relations in North China for which they hope.

The names of the advisers to the Hopei-Chahar Political Council, together with some information respecting each, are given below:

First Class Advisers:

Mr. Daiji Satani, adviser to the Communications Committee of the Hopei-Chahar Political Council; chokunin rank; formerly Director of the Tokyo Bureau of Communications. He has a secretary-interpreter named Mr. T. Kawabata.

Mr. Teiji Yamaryo, adviser to the Communications Committee of the Hopei-Chahar Political Council; chokunin rank; concurrently an official of the South Manchuria Railway Company and an adviser to the Peiping-Mukden Railway. Mr. Yamaryo has two secretary-interpreters; namely, Mr. Buhachi Ono, who was formerly employed by the South Manchuria Railway Company, and Mr. Tadashi Sato, who, following graduation from a university at Tokyo, worked in Peiping in some capacity unknown to the Embassy.

Mr. Kochi

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

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Mr. Kochi Nishida, adviser to the Foreign Affairs Committee of the Hopei-Chahar Political Council; chokunin rank; served many years in China as consul and diplomat, concluding in June 1936 several years in Tsinan as consul general, where he won the regard and trust of Chinese officials. Mr. Nishida has two secretaries; namely, Mr. S. Inouye, who interpreted previously for many years for Japanese army officers in Peiping, and Mr. T. Matsuo, a young man who recently entered the Tokyo Foreign Office.

Mr. Hideo Awaya, adviser to the Reconstruction Committee of the Hopei-Chahar Political Council; chokunin rank; an official of the South Manchuria Railway Company who, prior to becoming adviser, was stationed at Taiyuan in Shansi for purposes of economic research.

Second Class Advisers:

Mr. Naoaki Murata, adviser to the Communications Committee of the Hopei-Chahar Political Council; sonin rank; an engineer of the "Manchukuo" Telephone and Telegraph Company; formerly with the Japanese Ministry of Railways. He has a secretary, Mr. T. Tanaka, also from the "Manchukuo" Telephone and Telegraph Company.

Mr. Takeo Moriya, adviser to the Reconstruction Committee of the Hopei-Chahar Political Council; sonin rank; formerly a newspaper man in north Manchuria and later in the employ of Major General Takayoshi Matsumuro. Major General Matsumuro was, until recently, head of the

Japanese

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

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Japanese special military mission at Peiping and it is understood that he recommended Mr. Moriya for the post of adviser because Major General Matsumuro wanted to get him out of his office where he had proved inefficient.

Mr. Minoru Yomura, adviser to the Economic Committee of the Hopei-Chahar Political Council; sonin rank; formerly of the "Manchukuo" Telephone and Telegraph Company.

Military Advisers to the 29th Army.

Three Japanese military officers are advisers to General Sung Che-yuan's 29th Army, the first having assumed duty in July, 1936, and the last having arrived in March, 1937.

These three officers seem to be able to achieve no more than the civilian advisers. They do occasionally, it is said, help smooth out some minor question, such as the enlargement of the airfield at Fengt'ai, but it is understood that, on the whole, they accomplish almost nothing. Occasionally they give lectures to officers of the 29th Army. <One of the officers, Major Sakurai, has apparently been astonished by the ignorance of the officers whom he has lectured as he has stated in conversation that in one such group only two had ever seen a map of the world, very few knew where Japan was in relation to China, and most of them were extremely weak in mathematics.> These military advisers are understood to be paid in the same fashion as the civil advisers and to live under similar conditions. It is improbable that

they

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

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they have any real influence over the Chinese military with whom they come in contact or create in the Chinese a more friendly feeling for Japan.

The names of the three officers, together with some information about them, are given below:

Lieutenant Colonel Teijiro Nakajima. He arrived at Peiping in July, 1936, to assume the duties of adviser. He is concurrently attached to the Headquarters (at Tientsin) of the Japanese North China Garrison, as presumably are his two associates also. His previous post, which he occupied for two years, was that of Garrison Commander and Commanding Officer of the Railway Protection Troops of the Luantung Area (Hopei Province). He is the only one of the three military advisers who did not study at the Military Academy at Tokyo. He is said to belong to no military clique and to be skillful in diplomacy.

Major Tokusaburo Sakurai. He assumed his duties as adviser in the autumn of 1936. At one time he taught in the Military College at Peiping. He was stationed in Manchuria at the time of the Manchurian incident and subsequently participated in "bandit" suppression. Allegedly a comparative moderate in his views toward China, he is said to be an officer of exceptional courage, having acted as a negotiator between the Government and the rebels following the assassinations in Tokyo of February 26, 1936, at which time he urged the rebel officers to commit suicide. His senior officers in Peiping are said to be irritated by his rough and free manner toward them when he meets them off duty.

Major

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

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NB
Major Hanzo Kasai. He arrived in Peiping in March, 1937. No information with regard to him has yet become available other than that he has a low opinion of the education of the Chinese officers with whom he comes in contact.

In summary, it may be said that, whatever the purpose of the Japanese military responsible for the appointment of the Japanese civil and military advisers discussed above, the purpose seems not to have been achieved, the presence of advisers up to now having had little apparent effect on the progress of Sino-Japanese relations.

Respectfully yours,

For the Ambassador:

4 Carbon Copies
 Prepared

Frank P. Lockhart
 Frank P. Lockhart,
 Counselor of Embassy.

Original and 4 copies to Department.
 Copy to Embassy, Nanking.
 Copy to Embassy, Tokyo.

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

20-1

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

May 27, 1937.

Peiping's No. 1198, April 22, 1937,
entitled "The Japanese North China Garrison:
Its Strength and Views".

It is impossible to obtain authentic information on the strength of the Japanese North China Garrison. In May, 1936, Japanese military officers indicated that the total was approximately 4,000. Since then, unrelated Japanese sources have put the number at slightly more than 8,000. American and Chinese observers state that it is slightly more than 9,000. A Chinese official stated that before summer, the Japanese Garrison would be increased to a full division of 12,000 men. This impending increase might be accounted for by the increase and better equipment of the 29th Army which is showing signs of not being so easily intimidated by a show of Japanese strength. General Sung Che-yuan's 29th Army is variously estimated to number between 51,800 and 100,000 men. Presumably the 29th Army counts more today on support from the National Government than it did formerly.

There is a division of opinion among Japanese military officers in North China over the strength of the policy that should be pursued by them. The junior officers are more radical-minded than their seniors.

The

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

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DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

-2-

mention of

The despatch concludes with allegations
tending to show the increasing profligacy
among the Japanese military in North China:
opium, heavy drinking, extravagant enter-
tainment and the acceptance of valuable
gifts from the Chinese are mentioned.

KES
FE:HES:VCI

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

20-3



EMBASSY OF THE
 UNITED STATES OF AMERICA

No. 1198

Peiping, April 22, 1937.

Subject: The Japanese North China Garrison:
Its Strength and Views.

793.94
 note
 893.0146

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 DEPARTMENT OF STATE

1937 MAY 17 AM 11 00

RECEIVED
 DEPARTMENT OF STATE

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

Sir:

I have the honor to discuss the Japanese North
 China Garrison, with especial reference to its numeri-
 cal strength and to the views of its officers with re-
 gard to Sino-Japanese relations.

It is impossible to obtain authentic information
 with regard to the numerical strength of the North China
 Garrison. At the time of the principal increase in its
 strength (May 1936), Japanese military officers indicated
 that the new total approximated 4,000. Since that time,
 Japanese officers have refused to make any statement in

this

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

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this regard, thereby strengthening the widespread opinion that the actual number is considerably in excess of 4,000.

As reported by the Embassy in its monthly report for May, 1936, two non-official and unrelated Japanese sources put the number at slightly more than 8,000. Other observers, including the American Naval Attaché and a Chinese Government official connected with intelligence affairs, subsequently gave similar estimates. Following the most recent replacement movement of the troops of the Japanese North China Garrison (March-April 1937), the American Naval Attaché arrived at the conclusion, after investigation, that the numerical strength of the North China Garrison had been increased to 9,200. Independently of his investigations, the above-mentioned Chinese official, who has association with a Chinese intelligence officer charged with discovering the strength of the Japanese Garrison, arrived at the conclusion that the numerical strength had reached slightly more than 9,000. A Japanese national, closely associated with the Japanese military, expressed the opinion a few days ago in private conversation that the number was probably at present above 8,000. The American Assistant Military Attaché, while stating that he had been unable to obtain satisfactory information on the subject, said that he thought the number might be somewhere between 8,000 and 9,000. It would seem not improbable, therefore, that the actual numerical strength is considerably greater than that admitted by Japanese officers.

It

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It may be added that a secretary of the local Japanese Embassy stated in private conversation recently that the numerical strength was 5,000, a larger estimate than that given last May by the Japanese military. This secretary spoke, however, with such emphasis that it seemed to his listener that he was making an understatement with intent.

The Chinese official above-mentioned has recently informed a member of the Embassy that an increase in the numerical strength of the Japanese Garrison is expected before summer and that the Garrison will then consist of a full division of 12,000 men. This report appeared subsequently in a Chinese newspaper published at Shanghai. It will be impossible, however, to establish the authenticity of this report until the increase is made, if it can be established then.

The alleged impending increase of the North China Garrison may have some relation to the growing nationalism of General Sung Che-yuan's 29th Army and to its alleged advance in equipment and in numerical strength. It seems possible that the 29th Army might not today be so easily intimidated by a show of Japanese strength into dissipated submission to unreasonable Japanese demands as it might have been by a lesser display of Japanese strength a year or more ago. Parenthetically it may be stated that the numerical strength of the 29th Army cannot be definitely learned. The American Military Attaché estimated that it numbered in January of this year 51,800 men (36,800 in Hopei Province and 15,000 in Chahar Province), an increase of 9,800 over his

estimate

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estimate of its strength in September, 1935, when General Sung was assuming control of Hopei Province. This may be, however, an underestimate as in September, 1935, the British and Japanese Military Attachés believed that General Sung had 60,000 men, and practically all observers are convinced that General Sung has done considerable recruiting since that time. Some Chinese officials claim that General Sung has at present 100,000 men. Observers also agree that the equipment of the 29th Army is much better today than it was in 1935 and that the anti-Japanese feeling of the troops has not lessened during this time, if, in fact, it has not increased.

There is another factor which might be of importance in deciding the 29th Army to ignore or to accept the challenge of an aggressive display of Japanese military strength. There is more reason to believe that actual military conflict in Hopei Province would now bring military assistance from the National Government. It sent troops to Suiyuan Province last autumn to assist the Suiyuan provincial forces against Japanese aggression there; and the temper of China has so changed during recent months that even some conservative intelligent Chinese believe that the National Government would fall if it did not despatch military support in case of a conflict in Hopei. Presumably the 29th Army counts more today on support from the National Government than it did formerly.

It is not intended to give the impression in this despatch that a military conflict in Hopei Province is

imminent.

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imminent. The possibility does, however, exist; and it seems increasingly probable that a serious incident in Hopei might bring on a major conflict. Such an incident might be precipitated by Japanese military discontented with the lack of progress in Sino-Japanese economic and/or political cooperation in North China or by Chinese military imbued with a growing belief in their own prowess.

It is difficult to state the exact intention of the Japanese military in increasing the strength of the North China Garrison. It cannot be known whether it is intended merely as a display of strength or as preparation for eventualities or as a part of an accepted plan in extension of Japanese influence. Perhaps, in connection with this last mentioned possibility, the increase is due in part to an intention to station some of the troops along the line of the proposed Shih-kiachwang-Tientsin railway when construction of that line eventually begins. The stationing of Japanese troops along that line would presumably assist in separating from the National Government that part of Hopei lying north of the proposed line.

It is not improbable that the intention of some of the officers of the Japanese North China Garrison differs from the intention of others. As in other units of the Japanese army, so in the North China Garrison the Japanese officers apparently hold differing views with regard to policy toward China. Information received by the Embassy indicates that the older officers of the Garrison are inclined to be less immoderate in

their

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their views with respect to China policy than are the younger officers. Some Japanese nationals resident in Peiping describe the younger officers as "rabid", saying that they presumably want political control of the five northern provinces and are strongly opposed to the return to Chinese control of Yin Ju-keng's bogus regime, the East Hopei Anti-communist Autonomous Government. Some of the older officers are understood to be content if they can achieve effective economic cooperation in North China and adequate protection of Japanese interests, a phrase which is not clearly understood by the Embassy. (An evidence of the more reasonable attitude of the older officers was the recent admission in conversation by Lieutenant Colonel Gennosuke Matsui, head of the Special Military Organ at Peiping of the North China Garrison, to the effect that the formation of Yin Ju-keng's bogus regime had proved to be a mistake.

The names, positions, and alignment of a few of the officers, as known to the Embassy, may not be without interest. The better known of the "rabid" officers are those three who allegedly direct the affairs of the East Hopei Anti-communist Autonomous Government; namely, Major Sadao Senda, in charge of the East Hopei affairs section of the headquarters of the North China Garrison, Lieutenant Colonel Shigeru Hosoki, Chief of the Special Military Organ at T'ungchow, the capital of the bogus regime, and Lieutenant Colonel Jun Yokoyama, Chief of the Special Military Organ at Shanhaikwan. Another is Lieutenant Colonel Takaji Wachi, a staff officer

of

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of the North China Garrison. The important "moderate" officers are supposed to include the Garrison Commander, Lieutenant General Kanichiro Tashiro, the head of the Special Military Organ at Peiping, Lieutenant Colonel Gennosuke Matsui, mentioned above, Major General Gun Hashimoto, Chief of Staff of the North China Garrison, and Lieutenant Colonel Sumihisa Ikeda, staff officer in charge of questions concerning economic cooperation in North China.

That division of opinion among these officers is more complicated than is indicated by the broad description "immoderates" and "moderates" may be assumed from reference to them by Japanese nationals as such-and-such an officer's "man". One may be referred to as an Ishihara man, that is, in sympathy with the views of Major General Kanji Ishihara of the Tokyo General Staff; another may be referred to as an Itagaki man, that is, in sympathy with the views of Lieutenant General Seishiro Itagaki, former Chief of Staff of the Kwantung Army; another as an Isogai man, that is, in sympathy with the views of Major General Rensuke Isogai, former Military Attaché to China; and another as an Imai man, that is, in sympathy with the views of Lieutenant General Kiyoshi Imai, Vice Chief of the Tokyo General Staff. An example of this sort of division is found in statements of Japanese to the effect that military and assistant military attachés in China are all Isogai men. These attachés are not, of course, attached to the North China Garrison, but the example is nevertheless believed to be pertinent.

Before

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

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Before concluding this despatch, it may be of interest to report allegations tending to show a deterioration in the character of the Japanese military of the North China Garrison. Although evidence is lacking, disinterested observers are forced to the conclusion that the heroin trade in the hands of Japanese nationals in Hopei Province could not flourish unless a powerful element of the Japanese military were willing that it should flourish. The amount of money spent on evening entertainments by the military in Peiping and their resultant intoxication appear excessive to observers. Much of the entertainment is given for Chinese and is due to the military's seemingly mistaken belief that such entertainment improves Sino-Japanese relations. There is also a conviction on the part of some Japanese nationals and some Chinese officials that the Japanese military officers in Hopei Province accept large money presents from Chinese officials, the presents to one officer sometimes totaling tens of thousands of dollars over a period of a year or two. The purpose of the Chinese making such gifts is presumably to soften the attitude of the Japanese recipient. The object of a Japanese officer in accepting such gifts, if they have in fact been accepted, cannot be explained on grounds compatible with the supposed honor of an officer. These allegations may be, of course, false, but Japanese nationals who have made them to a member of the Embassy and who are in close association with the military

would

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would scarcely make them unless they themselves be-
lieved them to be true.

Respectfully yours,

For the Ambassador:

Frank P. Lockhart
Frank P. Lockhart,
Counselor of Embassy.

Original and 4 copies to Department.
Copy to Embassy, Tokyo.
Copy to Embassy, Nanking.

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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

May 24, 1937.

~~W. SM~~
~~80V~~
~~MDH~~

Canton's No. 60, April 17, 1937, entitled "Evidence of Undiminished Hostility to Japan in Kwangtung and Kwangsi."

Despite Japan's lately displayed more conciliatory policy towards China, there has been no noticeable abatement in the manifestations of hostility to Japan in Kwangtung Province. The Canton press is still anti-Japanese and Japan's position vis-a-vis the Kwangsi leaders appears to have become more unsatisfactory. Japanese espionage in Kwangtung and Hainan has irritated Chinese officials.

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

No. 60

Copy for
 Department of State

AMERICAN CONSULATE GENERAL
 CANTON, CHINA

APR 17 1937
 April 17, 1937.

Subject: Evidence of Undiminished Hostility
to Japan in Kwangtung and Kwangsi.

793.94
 The Honorable
 Nelson Trusler Johnson,
 American Ambassador,
 Peiping.

COPIES SENT TO
 G.N.I. AND M.I.D.

Division of
 FAR EASTERN AFFAIRS
 MAY 18 1937
 Department of State

Sir:

I have the honor to refer to this office's political review for March, 1937 (Section IIB(3)) and other recent despatches dealing with local Sino-Japanese relations, and to submit the following summary of recent developments indicating that, despite Japan's lately displayed more conciliatory policy towards China and a local concrete demonstration thereof in the form of the agreement of Japanese banks in Kwangtung to turn over their silver holdings to the Central Bank of China,* there has been no noticeable abatement in the manifestations of hostility to Japan in the area in general, while Japan's unfortunate position vis-a-vis Kwangsi appears to have become even more unsatisfactory.

A study of the past two weeks' issues of four leading Canton vernacular papers and the Hong Kong KUNG SHEUNG YAT PO, which enjoys a large Canton circulation, indicates that

the local

* Telegram of April 12, 4 p.m.

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

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the local vernacular press has generally refrained from any favorable publicity to the reported friendly gestures of the Japanese Foreign Office and industrial quarters; that the cooperative action of the local Japanese banks has been virtually ignored, even as a news item; and that hostile editorial comment has shown no decrease in activity. For example, the very anti-Japanese Hong Kong KUNG SHEUNG YAT PO has been particularly energetic in publishing a series of editorials and articles in hostile criticism of recent Japanese actions, including the Japanese naval demonstration at Tsingtao, alleged Japanese designs on Hainan, and alleged attempts of the Japanese naval and consular authorities to create trouble at Swatow in connection with the recent death there of a Formosan Chinese. The KWONGCHOU SHI MAN YAT PO, a paper controlled by the Canton Municipal Government, under date of April 16th, carried an editorial which accuses the Japanese Ambassador of forcibly seizing a private memorandum from the Chinese Foreign Minister, pays sarcastic tribute to his diplomatic deceptive powers, and ironically agrees that political issues can be easily liquidated after Japan has obtained her desired economic cooperation by securing control of all China's markets and raw materials. The KUNG P'ING PO, a leading privately owned Canton daily, on April 10th, contributed an editorial strongly criticising the Japanese Consul at Swatow for his "unreasonable demands" in connection with the Swatow affair.

The only article in recent issues of the vernacular press studied by this office which reveals any trace of friendliness to Japan is an editorial published in the Kwangtung Government controlled CHUNGSHAN YAT PO of April 12th. This editorial expresses sincere appreciation of Mr. Kodama's

apparent

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apparent success in persuading Japanese banks in China to surrender their silver holdings to the Chinese Government, and of suggestions in the Japanese press that Japan should cease smuggling activities and abolish the semi-autonomous government in eastern Hopedai. It goes on to declare, however, that the Japanese Military, scornful of the advice of moderate Japanese quarters, are still bent on carrying out their imperialist program; and that the Japanese Army's domination and illegal activities in China must cease before economic co-operation can be considered.

During the past two weeks the local and Hong Kong vernacular and English press have carried news items regarding alleged activities by Japanese agents in Hainan. They claim, among other things, that Japanese agents have been working to stir up subversive movements on the island; that the recent despatch of the Ninth Independent Brigade in reinforcement of the already impressive Hainan military garrison is directly connected with Japanese designs; and that the Chinese authorities at Canton have been planning vigorous protests over the action of a Japanese consular officer in paying a visit to Hainan without their prior knowledge and approval. In this connection, the Acting Special Delegate of Foreign Affairs for Kwangtung and Kwangai Provinces privately stated a few days ago that his office had been having continued disputes with the local Japanese Consulate General over measures taken to combat espionage by Japanese, including a Japanese resident of Hoihow, Hainan. He said that the latter's contract for short term rent of his house had recently expired and that, since he had refused to pay the accrued back rent and was known to be actively engaged in reporting for the

Japanese

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Japanese Government, the Chinese authorities had insisted on his leaving. Mr. K. Fujishima,* a Chancellor of the Japanese Consulate General, had gone to Hoihow and, after prolonged negotiations with the local authorities, had, in some manner not known to the Special Delegate's office, succeeded in inducing them to allow the Japanese to remain without payment of his back rent. The Special Delegate's office did not judge the matter of sufficient gravity to demand a reversal of the local authorities' action but did take occasion to inform the Japanese consular authorities of its dissatisfaction with their conduct in the matter. While not yet confirmed, it is presumed that the press report of the unauthorized visit to Hainan of a Japanese consular officer relates to this affair.

Private information from a Japanese consular representative as well as press items confirm the acting Special Delegate's statement that the increasingly stringent measures being taken by the Chinese authorities to prevent alleged Japanese secret agents from residing and touring in this area are causing constant friction. As reported in recent despatches, the Kwangsi authorities have of late been consistently refusing to approve requests for admission of Japanese visitors to their Province. About three weeks ago they suddenly took the further drastic step of deporting a Japanese resident of Nuchowwho, according to information from the Japanese Consulate General, was the only remaining Japanese resident of Kwangsi. Both the Japanese Consulate General and the Special Delegate's office have privately confirmed that the following account of the affair published in the Hong Kong SOUTH CHINA MORNING POST under date of April 8th is substantially correct:

"...The

 *The same officer who visited Hainan last November and approached the American Presbyterian Mission for information, as reported in despatch No. 23 of November 11, 1936.

793.94/8419

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"....The case of Mr. Tsunao Mori is not yet settled, although Mr. Toyochi Nakamura, Japanese Consul General in Shamen, has sent a protest against the ejection of this Japanese merchant from Kwangsi.

"The protest was lodged with the office of Dr. Philip P. C. Tyan, Special Delegate of the Ministry of Foreign Affairs. Mr. Tsunao Mori, the Manager of the Nuchow branch of the Gakuyoda, a Japanese trading firm in Kwangsi, was ordered by the Nuchow authorities to leave there because of alleged acts of espionage. The Kwangsi authorities are said to have acted on instructions from the Military Affairs Commission in Nanking.

"According to a Japanese version, Mr. Mori insisted that he was nothing more than a merchant, but the Nuchow police declined to let him stay. While proceeding down the West River to Canton, Mr. Mori had his belongings searched twice by police officials. He reported the matter to the Japanese Consulate here."

A Japanese consular officer stated that the eviction of Mr. Mori occurred about three weeks ago following a search of his home by the Kwangsi authorities which the latter claimed to have revealed evidence that he was engaged in espionage work. Efforts to persuade the Kwangsi Government to readmit him were made by a Japanese naval officer sent to Nuchow and by repeated representations through the acting Special Delegate of Foreign Affairs for Kwangtung and Kwangsi. Thus far the Kwangsi authorities have obstinately refused to reconsider their action.

Meanwhile the government controlled KU CHOW YAT PO continues to report speeches of General Pai and other Kwangsi leaders which indicate that their anti-Japanese attitude has been in no way modified in consequence of Kwangsi's reported reconciliation with Nanking. It also continued to report popular anti-Japanese activities such as the seizures of Japanese goods by the Nuchow Anti-Japanese Association. The latter organization holds weekly meetings, and, according to press reports, appears to be increasingly active in pushing the movement for boycott of Japanese goods.

Respectfully yours,

Irving N. Linnell,
 American Consul General.

Copies sent:

- 5 to Department.
- 1 to Nanking.
- 1 to Swatow.
- 1 to Hong Kong.

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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

May 27, 1937

~~Tab:~~ *SPT-1167-114-5*
~~Tab:~~ *H*

Tokyo's despatch No. 2388 of April 30, 1937, by Mr. Dickover, entitled "Is Japan Endeavoring to Revive the System of 'Spheres of Influence' in China?":

Mr. Dickover points to the declared intention of Japan to treat North China as a special area as evidence that Japan is endeavoring to revive the system of "spheres of influence" in China. As further evidence he mentions rumors of an Anglo-Japanese understanding in regard to special interests in certain parts of China. He admits that these indications merely represent a "tendency in the thought of the people".

It is believed that while the writer's thesis is of speculative interest, the factual basis on which it rests is too thin to support the construction which he places on it. Note, however, the following from the CHICAGO DAILY NEWS of May 21: "Chinese suspect that Japan is carrying to London the time worn plan for the division of China into spheres of interest."

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



THE FOREIGN SERVICE
 OF THE
 UNITED STATES OF AMERICA

W PM 1 53

No. 2388.

AMERICAN EMBASSY
 Tokyo, April 30, 1937.

SUBJECT: IS JAPAN ENDEAVORING TO REVIVE THE SYSTEM OF
 "SPHERES OF INFLUENCE" IN CHINA?

793.94

For Distribution-Check	
Grade	In U.S.A.
For	

E. A. Tamm

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London
6/2/37

Division of
 FAR EASTERN AFFAIRS
 MAY 18 1937
 Department of State

793.94/3831

The Honorable
 The Secretary of State,
 Washington.

See
741.94/101A

Sir:

Evidence is not lacking in Japan that the Japanese nation is inclined to desire a return to the long-discarded system of "spheres of influence" in China. This does not mean that a definite policy has necessarily been formulated to that effect; it signifies rather a general feeling that a solution of the rivalry and friction between Japan and Great Britain and a guarantee of peace in the Far East can best be found in a division of economic opportunity in China between those two countries.

JUN 13 1937

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

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It will be remembered that in his speech before the Lower House of the Diet on March 11, 1937, Mr. Sato, the Minister for Foreign Affairs, stated that the Japanese Government intended to maintain the principle of the Open Door in "Central and South China". If the omission of any reference to North China was not inadvertent, it could only mean that the Government regarded North China as a region where Japan would not maintain the principle of the Open Door. But if Japan did not intend to maintain the principle of the Open Door in North China, under what theory would that principle be denied? Japanese statesmen have repeatedly stated that Japan has no intention of further infringing the territorial and administrative integrity of China, and consequently the denial of the principle of the Open Door in North China does not indicate a present intention of annexing that region to the Japanese Empire or to "Manchukuo". The only answer would appear to be that Japan desires to reserve North China as a special sphere for Japanese economic development. 794.00/118

As was reported in the Embassy's despatch No. 2340, dated April 1, 1937, Mr. Sato, in reply to interpellations made at a session of the budget committee of the Lower House, again indicated the intention of the Japanese Government to treat North China as a special area, at least as far as Japan is concerned. He said that as special and peculiar circumstances exist in North China, special measures are required in dealing with that region, and that as the circumstances naturally differ in Central and South China, it will

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be necessary to take different steps in regard to those regions. Mr. Sato did not state of what the peculiar circumstances in North China consisted, nor what special measures Japan intended to take in dealing with that region.

The Kodama economic mission to China, which returned to Japan at the end of March, perhaps came a little nearer the truth in regard to Japan's ideas in regard to North China, if the press accounts of the mission's report to the Foreign Office are correct. According to the press, the mission reported that British economic interests in Central and South China were so extensive and consolidated that Japanese capital had little opportunity of employment in those regions, and that therefore Japan should strive to extend its economic interests in North China.

A more direct reference to a desire to establish a Japanese "sphere of influence" in North China, such as was done in the bad old days, however, was contained in the Japanese press accounts of an alleged British approach to Japan to compose their differences in China. According to the TOKYO NICHU NICHU and other vernacular newspapers, the British Foreign Office recently approached the Japanese Foreign Office informally, expressing a desire to reach an understanding with Japan in regard to dealings with China. (It is possible that this "informal approach" refers to the good-will message which formed the subject of the London Embassy's despatch No. 2936 ^{741.94/88} dated March 16, 1937, a copy of which was transmitted to this Embassy in the Department's instruction No. 1228 of April 5, 1937.) Based upon this alleged informal approach, the Japanese newspapers assume that

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that Great Britain is prepared to give de facto recognition to the existence of "Manchukuo" and to acknowledge Japan's preferential rights and interests in North China (provided that Japan has no territorial ambitions in that region), in return for which Great Britain will ask Japan to recognize and respect British vested rights and interests in Central and South China and to cooperate in extending economic and financial aid to China. The newspapers understand that as a prerequisite to this program, Great Britain insists that Japan stabilize its relations with China and that the Chinese maritime customs system be restored to normal (this undoubtedly refers to the long-hoped-for Japanese assistance in the abolition of the smuggling through East Hopei).

The Embassy cannot state that the above represents any real policy on the part of the Japanese Government. The statements and newspaper reports referred to certainly indicate a tendency to a reversion to the old system of "spheres of influence" in China, except that in the present case only two countries are to have "spheres of influence", Japan and Great Britain. Japan is to have North China, Manchuria and (presumably) a part of Mongolia. Great Britain is to have Central and South China. It is highly probable, however, that this vision represents only wishful thinking on the part of the Japanese people and press. The British Ambassador in conversation with me, and Sir George Sansom, the Commercial Counsellor of the British Embassy in Tokyo, in a talk with Mr. Dickover of this


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

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this Embassy, stated positively that the story of a possible rapprochement with Great Britain along the lines indicated was purely a newspaper fabrication; that the British Government had not approached the Japanese Government as alleged, and that Great Britain had no thought of dividing China into "spheres of influence", but instead would stand by the numerous affirmations made by the British Government in regard to the principle of the Open Door in China. They added that there was no doubt that the Japanese would like to reach some sort of agreement with Great Britain which would possibly embody something along the lines of the old "spheres of influence" system, but that Great Britain was not willing to talk to Japan about cooperation in China until and unless Japan gave some indication of real friendliness and cooperation, instead of the present "take all and give nothing" attitude.

As was stated before, the indications that the Japanese are tending toward a revival of the "spheres of influence" system in China probably are not based upon any actual policy of the Japanese Government. They merely represent a tendency in the thoughts of the people - straws which indicate the direction of the wind. But as such they are worthy of attention.

Respectfully yours,



Joseph C. Grew

710.

ERD:r

Copy to Embassy, Peiping.

4 carbon copies
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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

May 21

~~MSM~~

~~MSM~~

This dispatch from
 Tokyo discussing
 Sino-Japanese relations
 adds little or nothing
 to what is already
 known in FE.

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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



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA
1007 NEW 17 PM 1 37

AMERICAN EMBASSY
Tokyo, April 30, 1937.

No. 2396.

SUBJECT: SINO-JAPANESE RELATIONS.

793.94

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793.94/3632



The Honorable
The Secretary of State,
Washington.

Sir:

With the exception of a few minor developments little has taken place in the Sino-Japanese situation, which remains at a standstill.*

It would appear that, in keeping with Oriental practice, China's attitude has stiffened as a result of

* Embassy's despatch No. 2365, April 16, 1937.

8606

FILED

MAY 7 1937

F/F/G

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-

of Japan's conciliatory gestures and that in the face of this resistance Japan does not know how to go about accomplishing conciliation, which is felt even by the Japanese military to be a necessary and expedient measure.

Certain developments may be mentioned as an indication of the increased prestige of the Nanking Government in Japanese eyes and of the current trend in Japan toward a realization that China cannot be so easily trampled upon as heretofore. According to Japanese news despatches, Mr. Kawagoe, Japanese Ambassador to China, stated in newspaper interviews before his departure for Japan that China was moving steadily toward unification and that Japan must bear this in mind in formulating its policy toward China. At the same time it has been rumored that Mr. Kawagoe will resign from his post after his departure for Japan on April 28, and he himself, according to DOMEI despatches from China, has admitted that he would not be able to come to a decision on this point until after a certain length of stay in Tokyo. The rumors of Kawagoe's projected resignation cannot be considered fabulous when one considers his chauvinistic connections as contrasted with Mr. Sato's recently announced liberal intentions with regard to China.

A factor in Sino-Japanese relations which has been played up considerably by the Japanese press is Great Britain's alleged increasing influence in China, particularly along economic lines.* According to the OSAKA MAINICHI of April 21, the War and Navy Ministers are in accord with Mr. Sato's views that the promotion of Anglo-Japanese cooperation in China and the adjustment of Sino-Japanese relations must go hand in hand.

As

* Embassy's despatch No. 2386, April 29, 1937.

0579


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

-3-

As already reported, one of the principal obstacles to the "readjustment" of Sino-Japanese relations is the continued existence of the East Hopei Autonomous Government with Japanese support and against the desire of the Chinese. Further to complicate this situation, Mr. Yin Ju-keng, chief administrator of the East Hopei Autonomous Government, is reported by DOMEI to have stated before his departure for Japan on April 17 that Japan must not intercede for the dissolution of the East Hopei régime in response to arguments advanced by the Nanking Government for the reason that the whole matter is an internal political dispute which concerns China only, although the East Hopei government still maintains that it was founded with the broad idea of "cooperating in resuscitating the Oriental races under the leadership of the Japanese nation".

It may be reiterated that there seems to be a definite change in the mutual feeling of one country toward the other but that little can be expected in the immediate future in the way of settling pending problems. In this connection reference is made to the last paragraph of the Embassy's despatch No. 2345, April 2, 1937.

Respectfully yours,



Joseph C. Grew.

710
GDA:C

Copy to Embassy, Peiping;
" " " Moscow.

1580

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

JE

TELEGRAM RECEIVED

JS

Gray

1-1336

FROM TSINGTAU Via N R

Dated May 20, 1937

Rec'd 11:00 p.m.

Secretary of State,
Washington, D.C.

COPIES SENT TO
O.N.I. AND I.D.

Division
FAR EASTERN AFFAIRS
MAY 21 1937
Department of State

May 20, 5 p.m.

793.94

file
an

Virulent opposition being expressed in local Japanese press against garrisoning in the vicinity of Tsingtau of Chinese Central Government troops designated as "revenue guards." It is reported in press that local Japanese Consul General has been directed to protest against the presence of these troops as contrary to spirit of conversations in 1922 regarding Shantung question.

793.94/6600

Numerous charges made by Japanese of anti-Japanese spirit of these troops and assaults by them on Japanese residents at nearby places.

SOKOBIN

JS

FILED

MAY 23 1937

F/10

4

0581

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

TELEGRAM RECEIVED

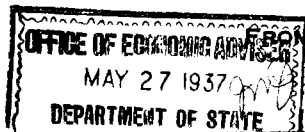
JLS

GRAY AND SPECIAL GRAY

PEIPING VIA NAVAL RADIO

Dated May 24, 1937

Rec'd. 10.20 a. m.



COPIES SENT TO
O.N.I. AND M.I.D.

Secretary of State,
Washington, D. C.

145, May 24, 1 p. m.

Embassy's 134, May 12, 7 p. m. / 8621

One. The Consul at Tsinanfu reported May 22,

7 p. m., that he had been informed that Han Fu Chu
left that morning for Laoling in Western Shantung
to meet Sung Che Yuan.

Two. The Central News Agency reports that Peng
Yu Hsiang left Nanking on May 22 for Shantung.

Three. Local competent officials not (repeat not)
belonging to Sung's clique express the opinion that
Sung is motivated in his various actions by a desire
to maintain his present position unchanged; that is,
his activities are aimed at preventing an increase in
Hopei and Shchar of the influence of either the National
Government or the Japanese.

Four. The Japanese press is publishing seemingly
exaggerated reports of anti-Japanese activities in
North China. The local Japanese first Secretary of the
Embassy called May 19 on the Mayor of Peiping and expressed
apprehension

793.94

793.94/8624

RECEIVED

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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

PEI ING #145 May 24, 1 p. m. -2-

at the alleged ^{renewal} publication of anti-Japanese activities.
 He referred inter alia to (1) Chinese press reports
 with the hint at Japanese responsibility for Chinese
 corpses which are found from time to time in the Haiho,
 (2) Chinese press reports that Japanese banks, in which
 Sun Chuan Fang allegedly deposited his fortune, refuse
 to permit Sun's heirs to withdraw their money, and
 (3) an alleged assault on a Japanese school boy in
 Peiping.

By mail to Tokyo.

LOCKHART

WMC 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

JS

TELEGRAM RECEIVED

Gray and special gray

NANKING

FROM Dated May 26, 1937

Rec'd 6 a.m.

Secretary of State

Washington, D.C.

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

218, May 26, 10 a.m.

One. (special gray). The following account of a Sino Japanese incident at Swatow on May 22 reported in the press was given an officer of this Mission by an officer of the Japanese Embassy:

(Gray) Two. On the morning of May 22nd at Swatow a Japanese Consular policeman named Aoyama who had moved from a Japanese hotel to a private residence without notifying the Chinese police of the change was called upon by Chinese policemen and asked to give such notice. The Japanese declined and later four Chinese police armed with rifles and pistols went to the new residence, broke in, seized the Japanese officer, beat him and took him to a Chinese police sub-station where he was placed in handcuffs. Protests against his detention were made by the Japanese Consul but in vain and at about 3 p.m. the prisoner was transferred by the Chinese police to the central police station and it was not until nearly 10 p.m. that the Japanese Consul succeeded in obtaining

his

793.94/3635

F/G

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-

From Nanking, #218.

his release. When released his clothes were in tatters and he was found to have twelve bruises on various parts of his body.

Three. Yesterday the Japanese Charge d'affaires under instructions from Tokyo called on the Chinese Foreign Minister to protest against the maltreatment of Aoyama and request that the Chinese authorities at Swatow be instructed to make a satisfactory local settlement. Similar protests were to have been made by the Japanese consular authorities at Swatow and Canton. The Japanese authorities did not believe that the case would become one of importance.

Four. The press reports that several Japanese naval vessels have gone to Swatow.

Five. Sent to the Department, by mail to Peiping, Shanghai, Tokyo, Swatow.

PECK

JS

0585

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

21-1

FE

JLS

This telegram must be carefully paraphrased before being communicated to anyone. (B)

TELEGRAM RECEIVED

TOKIO

Dated May 26, 1937

Rec'd. 6:45 a. m.

FROM

Secretary of State,

Washington, D. C.

137, May 26, 1 p. m.

STRICTLY CONFIDENTIAL

COPIES SENT TO
U.N.I. AND M.I.U.

Division of
FAR EASTERN AFFAIRS
MAY 26 1937
Department of State

793.94

72

One. I called this morning on the Minister for Foreign Affairs to present Dooman. The Minister stated that Kawagoe would leave on or about June 10 for Hanking and that he is to be directed as soon as practicable after his arrival there to begin conversations with the Chinese Government looking toward the adjustment of important questions pending between Japan and China.

Two. He observed that one of the greatest impediments in the way of doing anything to improve relations between the two countries is the divergence of views among various influential Japanese elements and he especially mentioned the military at Hsinking and Tientsin. He expressed regret that there should have occurred at this time any incident such as that which occurred recently at Swatow for the reason that there is possibility that a grave view would have to be taken of it.

Three. He said that Kawagoe had requested to be relieved as Ambassador to China but that Kawagoe could not be satisfactorily replaced at this time. Sato admitted that the previous

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FILED

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

21-2

-2- #137, May 26, 1 p. m. from Tokio

ious conversations carried on by Kawagoe with the Chinese Government had been unsuccessful. He felt, however, that Kawagoe had profited by his past experiences in China and that he would exploit such experience to advantage in the forthcoming negotiations.

Repeated to Peiping.

GREW

KLP

0587

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

(STRICTLY CONFIDENTIAL)

21-3

P A R A P H R A S E

STRICTLY CONFIDENTIAL

A strictly confidential telegram (No. 157) of May 26, 1937, from the American Ambassador at Tokyo reads substantially as follows:

During the course of a call on May 26 by the American Ambassador on the Minister for Foreign Affairs, the latter stated that the Japanese Ambassador to China (Kawagoe), who will leave for Nanking about June 10, has been instructed to begin conversations with the National Government as soon as practicable with a view to bringing about a settlement of questions of importance pending between China and Japan.

The Minister for Foreign Affairs remarked that one of the greatest difficulties in the way of taking any steps to improve Sino-Japanese relations is the divergence of opinions held by various influential circles in Japan and he referred to the military at Tientsin and Hsinking especially. The Minister regretted that any incident, such as the one which occurred at Swatow recently, should have happened at this time as it is possible that it would have to be viewed seriously.

The Minister for Foreign Affairs added that Kawagoe had asked to be relieved of his post in China but that at the present time he could not be replaced satisfactorily. Although the Minister admitted that Kawagoe's previous conversations with the Nanking Government had not been successful, he expressed the opinion that Kawagoe had learned by his previous experiences in China and would in the forthcoming conversations use such experience to advantage.

793.94/8636

FE:EGC
 V-27-37

WJ
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 2/11/76

1588

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

22-1

KLP

TELEGRAM RECEIVED

GRAY

1-1336

FROM

Nanking via N. R.

Dated May 27, 1937.

Rec'd. 9:25 a.m.

COPIES SENT TO
O.N.I. AND A.I.D.

793.94

Secretary of State,
Washington.

220, May 27, 10 a.m. (Section one)

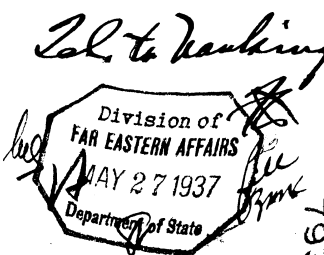
Our 218, May 26, 10 a.m. / 8635

One. According to an official of the Foreign
Office the following statement published last night by
Central News Agency Nanking is a statement prepared by
the Foreign Office.

Section two follows.

PECK

WWC:CSB



793.94/8637

MAY 28 1937

FILED

F/G

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

22-2

JS

TELEGRAM RECEIVED

PLAIN
 NANKING Via N R

1-1239

Dated May 27, 1937
 FROM
 Rec'd 6 a.m.

Secretary of State,
 Washington, D.C.

220, May 27, 10 a.m. Section Two.

Two. "The latest Sino Japanese incident in Swatow was started when a Japanese subject attempted to move into a house in another district of the city without first reporting to the local police and receiving a permit from them as was required by police regulations, declared a spokesman of the Ministry of Foreign Affairs.

According to reports hitherto received at Foreign Office, continued the spokesman, the Japanese subject involved in the affair, Kiyoshi Aoyama, committed bodily assault upon the Chinese police who attempted to persuade him to fulfill the requirements of the police regulations before moving into a new district. One officer and one policeman were said to have been injured. The Japanese was placed under arrest but was handed over to his Consul on the night of the incident. His punishment has been demanded by the local Chinese authorities.

The Ministry of Foreign Affairs has instructed Dr. Phillip Tyau, Special Foreign Commissioner in Canton, to proceed to Swatow immediately to make a full inquiry into

the

0591

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

22-3

-2-

From Nanking, #220, Sec two.

the matter. It is hoped that the incident will soon
be settled amicably on the basis of impartial findings."

Section Three follows.

PECK

JS

0591
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

22-4

TELEGRAM RECEIVED

MM

GRAY

1-1336

FROM

NANKING VIA N.R.

Dated May 27, 1937

Rec'd. 11:10am.

Secretary of State

Washington, D.C.

220, May 27, 10am.

(SECTION THREE).

Three. Central News Agency, Swatow, May 27 reports that the incident "which prompted the city government to file a strong protest with the local Japanese Consulate" started when Chinese policemen discovered that Aoyama and four compatriots did not report their removal to a new residence. He requested them to register their residence with the ^{Chinese} police, they refused, he reported to the sub-station and a Chinese police officer named Shang and a Chinese police officer named Lai were sent to urge Aoyama to comply with the regulations in question. Aoyama and his four companions, however, gave the two Chinese police a severe beating. Aoyama was subsequently taken to the police sub-station and later the Chief of the Japanese Consular Police and a group of Japanese consular officials, all armed, arrived in two cars and tried unsuccessfully to break through a cordon of Chinese police who had been placed about the station. Aoyama was later removed to the

Central

0592

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

22-5

22 O, May 27, 10am. from Nanking via NR -2-

Central police station and at 6 p.m., orders were issued by the municipal Government to hand Aoyama over to the Japanese authorities "for punishment" and a strong protest was lodged with the Japanese Consul. (A spokesman of the Chinese Foreign Office informed us this morning that this account is substantially correct).

Four. Reuter's, Tokyo, May 26 cites a Japanese Foreign Office spokesman as saying that the situation at Swatow is "serious" and announcing that Rear Admiral Okuma aboard the flag ship YUBARI is speeding from Port Arthur to Swatow. Central News Agency, Tokyo, same date reports that Sato expressed ~~the~~ opinion at a cabinet meeting same day that the incident could be settled amicably.

Five. Sent to the Department, by mail to Peiping, Tokyo, Swatow. (END MESSAGE).

PECK

HPD

0593

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

PREPARING OFFICE
WILL INDICATE WHETHER
Collect
Charge Department
OR
Charge to
\$

TELEGRAM SENT

22-6
TO BE TRANSMITTED
CONFIDENTIAL CODE
NONCONFIDENTIAL CODE
PARTIAL
PLAIN

Department of State

Washington, VIA NAVAL RADIO

1937 MAY 28 AM 11 20

May 28, 1937.

AMEMBASSY

NANKING (China).

92 Your 220, May 27, 10 a.m., and previous.

It is suggested that, unless you have already done so, you instruct Swatow promptly to submit to the Embassy a telegraphic report in regard to this incident and that you send a copy of Swatow's report to the Department.

Wells, Acting

193.94/8637

FE:MSM:VCI

FE
RECEIVED
MAY 28 1937

1937 MAY 28 AM 11 38

Enciphered by MMO

Sent by operator M., 19.

D. C. R.—No. 60

1-1462 U. S. GOVERNMENT PRINTING OFFICE

793.94/8637

F/FG

0594

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

RR

1-1236

FROM GRAY

Nanking via N. R.

Dated May 28, 1937

Received May 28, 1937

793.94

Secretary of State,
Washington.

COPIES SENT TO
O.N.I. AND M.I.D.

1:55 p. m.
Division of
FAR EASTERN AFFAIRS
MAY 28 1937
Department of State

221, May 28, 3 p. m. 18637

Our 220, May 27, 10 a. m.

The following telegram has been received from
Swatow: "May 28, 10 a. m. Detention Japanese employee
at Swatow, situation quiet. Detailed report air mail."

793.94/3638

CSB

PECK

JUN 1 - 1937

FILED

F/G

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

23-1

76

TELEGRAM RECEIVED

JR

GRAY and SPECIAL GRAY

Manking via N R

1-1336

FROM Dated May 29, 1937

Rec'd 10:25 a.m.

Secretary of State,
Washington.

COPIES SENT TO
O.N.I. AND M.I.D.

Division of
FAR EASTERN AFFAIRS

MAY 29 1937

Department of State

224, May 29, noon.

My 220, May 27, 10 a.m. / 8637

The Japanese Charge d' Affaires called on me yesterday in regard to another matter and I inquired about the Swatow incident of May 22. He said that Aoyama, the Japanese consular police official concerned, had sent a colleague to the Swatow police to inform them of his removal to new quarters before the removal occurred and that the subsequent rough handling of Aoyama was doubly unjustified.

He said that Japanese nationals had found by experience that prior notice to the Chinese police of removal to new residence quarters often resulted in intimidation of the new landlord by the police; the Japanese authorities do not recognize prior notification as mandatory on Japanese nationals because they have extraterritorial status; in forcibly entering the new quarters of Aoyama the Chinese police were acting beyond their ^{rights} ~~authority~~ because those quarters were in a building already rented by a Japanese shopkeeper; injuries received by

793.94/3639

JUN 2 1937

FILED

0596

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

23-2

-2-

JR #224, May 29, noon, from Nanking via N R.

by the Chinese police resulted unavoidably from the fracas precipitated by the attempt to seize Aoyama; the Japanese consular police sent to take over custody of Aoyama were not armed as asserted by Chinese reports and were acting strictly in accord with precedent which requires that Japanese if arrested shall be handed to the Japanese authorities immediately, whereas in this instance the victim was detained unnecessarily for several hours.

The informant deplored premature news release by the Chinese Foreign Office prior to receiving official reports and the folly of the local Chinese authorities in South China in using trivial routine regulations as a pretext for rough treatment of Japanese subjects. He said that the local authorities apparently did not realize that these affronts to Japan might result in consequences entirely disproportionate in gravity to the importance of the regulations. He said the Japanese Consul at Swatow has successfully handled incidents like this in Kalgan and other places and is very peaceable and self-restrained. The informant himself showed no rancor and seemed to be sincerely animated by the

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

23-1

72

JR

TELEGRAM RECEIVED

GRAY and SPECIAL GRAY

Nanking via N R

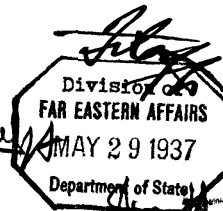
1-1236

FROM Dated May 29, 1937

Rec'd 10:25 a.m.

Secretary of State,
Washington.

COPIES SENT TO
U.N.I. AND M.I.D.



224, May 29, noon.

My 220, May 27, 10 a.m. / 8637

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by

795.94/8639

JUN 2 1937

FILED

1598

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

23-2

-2-

JR #224, May 29, noon, from Nanking via N R.

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the

1594

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

23-3

-3-

JR #224, May 29, noon, from Nanking via N R.

the widely publicized friendly attitude of the Japanese Foreign Office toward China. I inferred that in his conversations at the Chinese Foreign Office the informant had talked along lines similar to the observations made to me.

Sent to the Department, by courier to Peiping and Tokyo.

PECK

GW:CSB

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

EJ

GRAY

TELEGRAM RECEIVED

CANTON VIA N.R.

Dated May 30, 1937

1-1236

FROM Recd. 7 a.m. 31st

Secretary of State

Washington

May 30, 1 p.m.

COPIES SENT TO
O.N.I. AND M.I.D.

Division
FAR EASTERN AFFAIRS
JUN - 1 1937
Department of State

Embassy's re Swatow incident. Flagship

Japanese destroyer fleet with admiral in command and three other naval vessels at Swatow. Two Japanese naval vessels at Canton, one arrived yesterday. Secretary of Special Delegate for Foreign Affairs and Vice Consul Japanese Consulate General Canton at Swatow. Japanese Consul General negotiating with Special Delegate at Canton. Japanese have alleged that Chinese police entered house occupied by Japanese Consular Attache without notification to Japanese Consul and that the fight took place inside house. Chinese authorities informed that fight occurred on step leading to house and that Japanese struck the first blow. Japanese have asked that Swatow Chief of Police and policemen concerned be discharged and also suggest that requirement that Japanese notify local authorities before changing place of residence be discontinued. Negotiations in progress. It is believed the Japanese have not as yet presented any ultimatum. Further details will be forwarded when ascertained.

NPL

LITTEL

793.94/8640

JUN 2 - 1937

FILED

F/G

793.94

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760

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

24-1

FE

TELEGRAM RECEIVED

EJ

GRAY

NANKING

~~PEKING~~ VIA N.R.

1-1836

FROM

Dated May 31, 1937

Recd. 9 a.m.

793.94
Secretary of State

Washington

COPIES SENT TO
U.N.I. AND M.I.A.

225

May 31, 10 a.m.

8637



Department's telegram No. 92, May 28, noon.

One. Following from Swatow:

" (?) dispute arose out of arrest and detention for nine hours on May 22nd of a Japanese Consul policeman by Chinese police. Chinese claim Japanese struck two policemen in resisting arrest. Japanese Consul claims Chinese police unlawfully entered Japanese premises forcibly arrested and imprisoned a member of Japanese Consulate for nine hours before releasing him. Three Japanese destroyers arrived May 24th and a Japanese cruiser with Admiral in Command May 26th. Negotiations are progressing locally with two representatives of provincial government and Japanese vice consul from Canton participating. Newspaper reports exaggerated. Situation at Swatow is calm with little excitement. One destroyer left yesterday and the others departed today leaving only the Japanese cruiser YUBARI in port. It is believed that Japanese will not (repeat not) land armed forces.

Plane

793.94/8641

FILED

FA

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

24-2

- 2 -

No. 22 from Peiping May 31, 1937

Plane with my despatch delayed in Swatow."

Two. To the Department and Peiping, by
mail to Shanghai and Tokyo.

PECK

NEL

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. 1222

EMBASSY OF THE
UNITED STATES OF AMERICA

JUN 15 1937 Beijing, May 7, 1937.

Subject: Visit to Tsinan of Mr. W. M. Kirkpatrick.
DIVISION OF WESTERN
EUROPEAN AFFAIRS

JUN 14 1937

DEPARTMENT OF STATE

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U.N.I. AND M.I.D.

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Grade	For	To field In U.S.A.	Yes	No
	Allison		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

NOT FOR PUBLICATION

The Honorable

The Secretary of State,

Washington, D. C.

Sir:

I have the honor to refer to Canton's despatch No.

52 of March 29, 1937, and to transmit herewith a copy of
1/ despatch No. 49 of May 4, 1937, from the Consulate at Tsi-
nan describing the visit there of Mr. W. M. Kirkpatrick,
representative in China of the Export Credits Guarantee
Department of the British Government.

In his despatch Consul Allison reports that Mr. Kirk-
patrick held a long conversation with General Han Fu-chu,
Chairman of the Provincial Government of Shantung, visited
the most progressive cotton mills in Tsinan, whose manager
was trained in England, and excited considerable interest
on the part of Japanese in Tsinan by his visit. At a dinner

given

793.94/3642

JUN 17 1937

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

-2-

given by an official of the Bank of China in Tsinan, Mr. Kirkpatrick gave an interesting account of a conversation he had held with Mr. Kato, First Secretary in charge of the Japanese Embassy in Peiping. Mr. Kato inquired whether Mr. Kirkpatrick had come to Peiping to make a loan to the Hopei Government and as to whether Great Britain would be willing to cooperate with Japan in developing North China. Mr. Kirkpatrick replied that the only way in which Great Britain could cooperate with Japan would be with China's also being consulted and treated as an equal partner, and that there was little use in Anglo-Japanese economic cooperation in China unless England could be assured that she would not be pushed out by Japan as soon as the cooperation began to produce results. He also took the opportunity of remarking that the English people regarded smuggling in North China not only as theft from China but also from England.

Mr. Allison further reports that as a result of Mr. Kirkpatrick's visit several Chinese, including the Manager of the Bank of China, have expressed interest in having Mr. W. L. Pierson, President of the Export-Import Bank of Washington, visit Tsinan.

033.1190
P. H. A.

Respectfully yours,

For the Ambassador:

Frank P. Lockhart
Frank P. Lockhart,
Counselor of Embassy.

Enclosure:

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

-3-

✓
Enclosure:

- 1/ Copy of despatch No. 49
of May 4, 1937, from
Tsinan Consulate.

Original and 4 copies to Department.
Copy to Embassy, Nanking.
Copy to Embassy, Tokyo.

800/851

GRM/kt

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. 49

ENCLOSURE No. 1
 TO DESPATCH No. 1222

AMERICAN CONSULATE,

Tsinan, China, May 4, 1937.

Subject: Visit to Tsinan of Mr. W. M. Kirkpatrick.

The Honorable

Nelson Trusler Johnson,

American Ambassador,

Peiping.

Sir:

I have the honor to report that Mr. W. M. Kirkpatrick, representative in China of the Export Credits Guarantee Department of the British Government, left Tsinan yesterday morning after a visit of three days in the city.

While in Tsinan, Mr. Kirkpatrick was entertained at luncheon and a theatre party by General Han Fu-chu, and at dinners and luncheons by the Provincial Commissioner of Reconstruction, the manager of the local branch of the Bank of China, and the British Consul. In addition he is known to have had a long private conversation with General Han, and he visited one of the most progressive cotton spinning mills in Tsinan, whose manager received his training in Manchester. Before his departure from Tsinan, Mr. Kirkpatrick expressed himself as being greatly pleased with his visit and he had considerable praise for the management of

the

- 2 -

the cotton mill visited.

The writer was invited to the luncheon given by the Reconstruction Commissioner and the dinner given by the manager of the Bank of China, and it was obvious that Mr. Kirkpatrick had made a good impression upon the Chinese present. He was very outspoken and frank in his statements and was seemingly much interested in what Japan was doing in North China. The local Japanese officials have expressed considerable interest in this visit, the Japanese Consul General calling upon my British colleague within a few hours after Mr. Kirkpatrick had left the city, to inquire as to the results of the visit. At the dinner given by Mr. Chen of the Bank of China, Mr. Kirkpatrick gave an account of his contacts with the Japanese in Peiping, which may have some interest in view of the reported opening, in London, of Anglo-Japanese talks about cooperation in China.

According to Mr. Kirkpatrick, he was invited to tea while in Peiping by Mr. Kato, First Secretary of the Japanese Embassy, and he at first hesitated about accepting because he said he did not wish to give the impression that it was necessary to consult the Japanese as soon as he arrived in North China. However, upon the advice of several Chinese friends, he accepted. He said that while he was received courteously he was asked many blunt questions. Mr. Kato wanted to know whether or not he had come to make a loan to the Hopei Government. Upon being told, no, Mr. Kato then asked whether Britain would be willing to cooperate with Japan in developing North China. Mr. Kirkpatrick said that

the

- 3 -

the only way in which Great Britain could cooperate with Japan would be with China also being consulted and treated as an equal partner. He went on to tell Mr. Kato frankly that he did not believe there was much use in Anglo-Japanese economic cooperation in China unless England could be assured that she would not be pushed out by Japan as soon as the cooperation began to produce results. In response to a further question by Mr. Kato, Mr. Kirkpatrick stated that England was not anti-Japanese, but that she was also not pro-Japanese. The English people did not approve of the smuggling and looked on it as theft, not only from China but also from England, inasmuch as many British loans were secured on the customs revenue.

While it is true, as Mr. Kirkpatrick pointed out, that he has no official connection with the British Foreign Office, it is the opinion of the writer that the Japanese will construe his remarks, outlined above, as at least semi-official, and they will be reported to Tokyo as such. From comments made by several Chinese friends it is believed that they too, may give such remarks more weight than is quite justified and may be misled into expecting more help from the British Empire than it is able or willing to give at the present moment. On the other hand it is possible that the visit of Mr. Kirkpatrick will encourage the local Chinese to make still greater efforts to improve the Province economically and commercially. Whether or not his visit will have any immediate effect on British trade is problematical.

As a result of this visit the writer has been asked by several Chinese, including the manager of the Bank of China,

and

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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

- 4 -

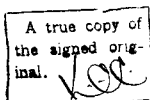
and the manager of the Tsinan branch of Andersen, Meyer & Co., whether Mr. W. L. Pierson, President of the Export-Import Bank of Washington, will visit Tsinan. All inquiries have been told that the Consulate has no information about the matter. It is the opinion of the writer that while the immediate results of a visit by Mr. Pierson to Tsinan might be negligible, the long run value of such a trip would be considerable. More and more money is being spent in Shantung in improving motor roads and other means of communication, and if the present officials are successful in their efforts to organize the contemplated Shantung Industrial Company there should be an increasing market for various types of American machinery. Should Mr. Pierson contemplate visiting Tsinan, the Consulate would appreciate being informed as far in advance as possible.

Respectfully yours,

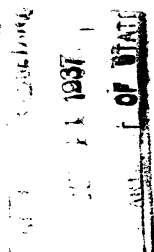
John M. Allison,
American Consul.

Original and 5 copies to Embassy, Peiping.
Single copy to Embassy, Nanking.
Single copy for information of consulates,
Tsingtao and Chefoo.

800
JMA:KCC



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



25-1

DEPARTMENT OF STATE
DIVISION OF FAR EASTERN AFFAIRS

June 9, 1937

JWB:
~~MM~~
SKH.

This despatch from Tokyo is the second one in the last few weeks in which rumors that Japan is endeavoring to revive the system of "spheres of influence" in China are discussed.

Mr. Sato, the former Foreign Minister, denied, in effect, that Japan desired anything like a monopoly in North China and denied anything like "spheres of influence" in China being discussed between Japan and Great Britain.

The Embassy comments that while any definite intention of reviving the system of "spheres of influence" is denied by both Japan and Great Britain, the fact remains that the tendency in Japan to regard North China as a special sphere for Japanese exploitation, comparable to Manchuria prior to 1931, is not only strong, but appears to be growing.

793.94/8643

MM
WTF/DLY

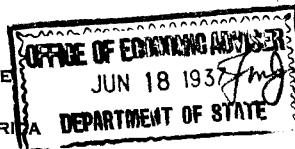
11 1937

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

25-2



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA



7E
A/C
EA

No. 2407.

AMERICAN EMBASSY
Tokyo, May 10, 1937.

SUBJECT: REVIVAL OF THE SYSTEM OF "SPHERES OF INFLUENCE"
IN CHINA.

Copy transmitted by the
Commercial Office (A-C/O)

To London
6/12/37
CR

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1937 JUN 1 PM 1 27

COMMUNICATIONS
AND RECORDS

For Distribution-Check		Yes	No
Grade	To field	<input checked="" type="checkbox"/>	<input type="checkbox"/>
For	In U.S.A.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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JUN 14 1937

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The Honorable
The Secretary of State,
Washington.



793.94/8643

SAY

With reference to this Embassy's despatch No. 2388, dated April 30, 1937, introducing the question of whether or not Japan is endeavoring to revive the system of "spheres of influence" in China, I now have the honor to report that any such intention in the present Anglo-Japanese conversations has recently been denied in both Tokyo and London.

In an interview which Mr. Sato, the Minister for Foreign Affairs, granted to the foreign newspaper correspondents in Tokyo on May 6, 1937, one of the correspondents asked Mr. Sato if the references in official statements to Japan's "special interests" in North China meant that Japan claimed

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25-3

- 2 -

claimed a "sphere of influence" in that region. According to the ADVERTISER account of the interview, Mr. Sato denied any such meaning in the phrase "special interests". He admitted that the expression is used in Japan but stated that it does not mean anything exclusive. Japan does not want to monopolize North China, and moreover China will not be so generous as to grant any monopoly in that region. At any rate, Japan does not demand exclusive rights and believes that it can live peacefully side by side in the economic world. In reply to another question regarding the Anglo-Japanese conversations, Mr. Sato denied that anything like "spheres of influence" in China is being discussed between the two countries.

Under London date of May 5, 1937, DOMKI telegraphed the following message to the Japanese press:

"The British Government has no intention of suggesting a revival of spheres of influence in China in any negotiations with other Powers interested in the far East, Foreign Secretary R. Anthony Eden declared in reply to questions in the House of Commons today.

Foreign Secretary Eden made his statement after Mr. Robert Morgan, Conservative, asked whether the Government had decided to broach the question in connection with efforts to reach a better international understanding regarding trade with China."

While, therefore, any definite intention of reviving the system of "spheres of influence" is denied by both Japan and Great Britain, the fact remains that the tendency in Japan to regard North China as a special sphere for Japanese exploitation is not only strong but appears to be growing

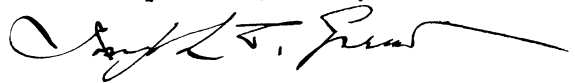
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 Department of State letter, August 10, 1972
 By Milton D. Gustafson NARS, Date 12-18-75

25-4

- 3 -

growing, and Mr. Sato, as was mentioned in despatch No. 2388, has twice indicated that Japan regards North China as a region which Japan should treat separately from the rest of China. The Japanese apparently are not asking for and do not expect to receive monopolistic economic rights in that region, but are working toward establishing special interests there much as they established special interests in Manchuria prior to 1931. If they are successful in their efforts, the eventual net result, if one can judge by the result in Manchuria, will be much the same as the establishment of an exclusive "sphere of interest".

Respectfully yours,



Joseph C. Grew.

710.
 ERD:r

Copy to Embassy, Peiping.

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

26-1

DEPARTMENT OF STATE JUN 10 1937

DIVISION OF FAR EASTERN AFFAIRS

June 9, 1937

U
Mr. Welles:

S
Mr. Secretary:

In the despatch here-attached, the Embassy at Tokyo reports that it cannot be denied that Japan's policy toward China has undergone a marked change in the direction of moderation during the past few months, but that many observers doubt whether there has been any real change in Japan's basic policy which is to dominate China in one way or another, thereby dominating the whole Far East south of Siberia. The Embassy expresses the opinion that Japan now hopes to attain and to maintain a strengthened position on the Asiatic mainland through friendship and economic cooperation with China, rather than by actual political control of that country.

JUN 10 1937



AM
WTT/DLY
P.W.

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

26-2



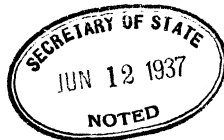
THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA
1937 JUN 1 PM 2 09

JUN 10 1937

No. 2419.

AMERICAN EMBASSY
Tokyo, May 14, 1937.

SUBJECT: JAPAN'S POLICY TOWARD CHINA.



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Grade	For	To Field In U.S.A.	✓
		OU!	
		MTD	

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in confidence

CONFIDENTIAL.



The Honorable

The Secretary of State,
Washington.

Sir:

It cannot be denied that Japan's policy toward China has undergone a marked change during the past few months, but many observers doubt that there has been any real change in Japan's basic policy. This basic policy was, and now is, to dominate China in one way or another, thereby dominating the whole of the Far East south of Siberia. Japan formerly sought to attain this end through aggressive attempts to obtain political and economic control of China, but China's apparent determination, exhibited in various ways during the past few months, to resist such attempts

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

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- 2 -

attempts at control, has caused Japan to alter its method of approach. As near as the Embassy can judge the present situation, Japan now hopes to attain and maintain a strengthened position on the Asiatic mainland through friendship and economic cooperation with China, rather than by actual political control of that country.

There have been many indications in recent months of this change in Japan's methods of attaining its ends. The reaction in Japan to China's growing strength and unity was one of astonishment and consternation. However, the Japanese are intelligent enough to realize the changed conditions in China and to appreciate the wisdom of shaping Japan's policy in such a way as to be able to deal with the altered situation. The demand for a policy of friendship and cooperation with China has come from many quarters of the Japanese nation. It was perhaps the Japanese diplomats and consular officers stationed in China who first realized the changed conditions and advised their Government accordingly. They were followed by business men engaged in trade with China, and later even a section of the Japanese military realized the fact that the blustering, aggressive tactics of the past were no longer effective. Since then, politicians in Japan, and most of the Japanese newspapers and magazines have come to appreciate the situation and are urging a changed policy toward China. It is true that some sections of the Japanese nation, who have been badly informed or who are reluctant to relinquish their former views, still cling to the idea that China can be coerced into compliance with Japanese demands, but the bulk of the nation now realizes that this course is dangerous.

During

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

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- 3 -

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During recent months three men of considerable prominence in Japan have advocated a changed policy toward China. The Embassy has already reported by telegraph and despatch the views of Mr. Naotake Sato, the Minister for Foreign Affairs, in regard to China. It will be remembered that he advocated treating China "on a basis of equality" and indicated that past errors in negotiations with China had been due to the fact that Japan had a sense of superiority in its dealings with that country. It is true that Mr. Sato later was compelled, presumably by the more chauvinistic elements in the Government, to modify his statement so far as to say that he did not mean that Japan should deal patiently with China if China broke the rules of international justice, but nevertheless it appears to be certain that Mr. Sato still hopes to be able to deal with China in much the same manner as he would deal with the United States or Great Britain. Mr. Sato apparently is fully aware of the realities of the situation and has shaped his course accordingly.

CBK

Mr. Kenji Kodama, the chairman of a recent Japanese economic mission to China, on his return to Japan, according to the press, expressed the view that Japan should realize that China is now a strong, unified nation and must be dealt with accordingly. The press assumes that Mr. Kodama advised the Foreign Office to adopt a changed policy towards China more in keeping with changed conditions, in order to improve economic relationships between the two countries.

CBK

Mr. Shigeru Kawagoe, the Japanese Ambassador to China,

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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- 4 -

China, was recently recalled to Japan to confer with the Foreign Office on China policies. The press has been hounding Mr. Kawagoe in an attempt to discover what advice he has given in this connection, and it appears reasonably certain that his views were along the following general lines:

1. China is progressing rapidly, and national unity of that country is becoming a reality.
2. Japan should realize that the actual power in China lies with General Chiang Kai-shek and a section of the national army.
3. The actual control by the Chinese Government of China is great and extensive, "comparable to that of the Japanese Government in Japan".

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These three men represent the Japanese Foreign Office, the foreign service in China, and Japanese industrialists and financiers. As such they speak with a certain amount of authority, and the Japanese nation appears now to be considering and adopting their views.] The Japanese press is inclined to urge the Government to seek the friendship of China and to "reconsider its aggressive policies". There seems to be little doubt that with this pressure a new policy toward China will evolve, but this is not held to mean a loss of prestige to the Japanese Government. It simply means that Japan is adapting its policies to meet changed conditions. It is true that the idea of treating China on a basis of equality and reciprocity is very different from Japan's aggressive policy of only a few months ago, but, as the JAPAN TIMES pointed out editorially, the policy is different

26-6

- 5 -

different because China itself is now different. It was impossible previously to deal with China, according to the Japanese view, on a basis of equality, because China was not, in strength, unity, and stability of Government, on a par with other great nations. Now that China has attained a degree of unity and stability, Japan sees no disgrace in altering its policies accordingly.

It is difficult to say what attitude the Army will take toward the policy of conciliation and friendship with China, as the Army spokesmen have been silent on the subject during recent months. There is no doubt that a section of the Army believes that a "weak policy" toward China will only result in the stronger determination of Nanking to resist Japan, but there also appears to be a section of the military, represented by the men in high positions at the present time, who are inclined to adopt the civilian view of treating China more or less on a basis of equality and reciprocity.

However, it will undoubtedly be very difficult to persuade the military to surrender the gains they have made in North China, such as the Hopei-Chahar Political Council, the East Hopei Autonomous Regime, the Tangku Truce Agreement, and the Ho-Umezu Agreement. The opposition of the Japanese military to any relinquishment of such gains now appears to have caused a compromise between the liberal policies of Mr. Sato and the chauvinistic policies of the past. After the return of Mr. Kawagoe to Japan to confer on China policies, there was

26-7
- 6 -

a meeting of the representatives of the Foreign Office and the War and Navy Ministries to discuss the proposed "new deal for China". The results of the discussion have not been officially announced and the versions of the proposed "new deal" published in the press vary somewhat in detail, although all express the same general theme. The KOKUMIN outlines the new China policy as follows:

- "1. Japan will not selfishly fail to appreciate that the Nanking Government's power is gradually expanding as long as the special position of Japan in North China is not infringed on.
2. It will guard closely, however, against the growing tendency for peace and order in North China to be disturbed as a result of the compromise between Nanking and the Chinese Communists.
3. Negotiations for adjustment of relations shall be started as soon as possible. The first matters to be negotiated on shall be exclusively economic, and political questions shall be avoided for the time being.
4. For smooth trade and economic co-operation in North China, the lowering of high tariffs against Japanese goods shall be made an urgent question for negotiation.
5. Abolition of the East Hopei regime and acquisition of the political power in North China, which Nanking reportedly means to demand of Japan, if brought up by the Chinese at this time would tend to aggravate relations further. Thus the prudence

of

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

26-8

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of the Chinese regarding these matters is fully anticipated.

6. Japan will co-operate with China against any nation attempting to sacrifice the latter and will reject any negotiations that would bring China under international control. At the same time, it will avoid friction with the other countries interested in China."

It will be observed that these policies provide for Japan's recognition of China's increasing strength and unity, but nevertheless do not contemplate the relinquishment by Japan of its "special position" in North China. The policies also do not contemplate the immediate abolition of the East Hopei Autonomous Regime or the further consolidation of Nanking's influence in North China. As the abolition of the East Hopei Autonomous Regime and the extension of Nanking's control over North China appear to be the principal demands made by China as a preliminary to further negotiations, it does not appear likely that the proposed "new deal for China" will be acceptable to China as a basis for negotiations. Japan apparently proposes to inaugurate negotiations with China with a "clean slate" and on a basis of equality, but does not propose to abolish the results of past aggression. It is difficult to see how this compromise

policy

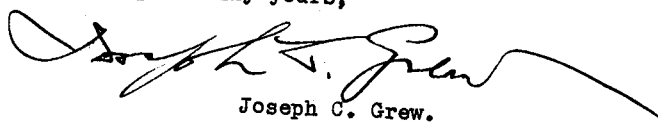
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

26-9

- 8 -

policy can be effective in promoting friendship between the two countries.

Respectfully yours,



Joseph C. Grew.

710.

ERD:r

Copy to Embassy, Peiking.

4 copies - C. G. Grew
Received ERD

162

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

27-1

TELEGRAM RECEIVED

RR

1-1236

FROM
GRAY

Nanking via N. R.

Dated June 2, 1937

Received 6 a. m.

Secretary of State,
Washington.

COPIES SENT TO
O.N.I. AND M.I.D.

Division of
FAR EASTERN AFFAIRS
JUN - 2 1937
Department of State

793.94

226, June 2, 9 a. m.

The following telegram has been received from

Swatow:

"June 1, 6 p. m. Situation remains calm although four Japanese destroyers came in this morning. Negotiations continue but it is believed that no formal demands have been made as yet by either side. Censorship of the case has been imposed upon local newspapers."

JLS KLP

PECK

JUN 4 - 1937

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

TELEGRAM RECEIVED

CORRECTED COPY

FS

1-1236

FROM

GRAY

Tientsin via N. R.

Dated June 3, 1937

Rec'd 11:10 a.m. 4th

COPIES SENT TO
O.N.I. AND M.I.

Secretary of State,
Washington.

June 3, 5 p. m.

About 1 a.m. June 2, unknown persons raided farm being worked by Japanese members of Sacred Farming Society, about three miles south of Tientsin, burned the three crude brick and wood structures in which the fourteen Japanese members of the society were housed, and overturned two irrigation pumps. No one injured and no trace so far of incendiaries, who escaped without being seen, according to a statement of member of the society to an officer of the Consulate. Japanese Consular and Chinese police officials investigating case; Tientsin district government has taken steps to prevent recurrence of trouble, which is believed to have grown out of widespread Chinese opposition to land grants to Japanese interests in and around Tientsin. Japanese authorities appear to be attempting to minimize affair.

KLP:WWC

CALDWELL

793.94/8646

FILED

JUN 8 1937

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162

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

TELEGRAM RECEIVED

JR

1-1336

FROM

GRAY

Tientsin via N R

Dated June 3, 1937

Rec'd 10:10 a.m.

Secretary of State
Washington.

June 3, 5 p.m.

About 1 a.m., June 2, unknown persons raided farm

being cultivated by Japanese members of Sacred Farming Society, who escaped without being seen, according to a statement of member of the society to an officer of the Consulate. Japanese consular and Chinese police officials investigating case; Tientsin District Government has taken steps to prevent recurrence of trouble, which is believed to have grown out of widespread Chinese opposition to land grants about three miles south of Tientsin, damaging the three crude brick and wood structures (?) (?) (?) which the 14 Japanese members of the society were housed, and overturned two irrigation pumps. No one injured and no trace so far of incendiarism, Japanese interests in and around Tientsin. Japanese (authorities?) authorizes appear to be attempting to minimize affair.

CAIDWELL

WVC:CSB

793.94/8646

F/G

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

28-1

JLS

GRAY
TELEGRAM RECEIVED

NANKING via N. R.

Dated June 7, 1937

Rec'd. 8:20 a. m.

FROM

Secretary of State,
Washington, D. C.

COPIES SENT TO
O.N.I. AND M.I.D.



230, June 7, 9 a. m.

On June 4, the Embassy obtained from William R. Mathews, editor and publisher of the Arizona DAILY STAR, the text of an Associated Press telegram sent to the United States reporting his interview with the Chinese Minister for Foreign Affairs that day. The text was as follows: "As a first step in settling the only question of concern between the United States and China, that of extraterritoriality, Dr. Wang Chung Hui, Chinese Foreign Minister, asks that existing treaties be interpreted to permit the taxing of all foreign residents on the same basis that the Chinese Government taxes its own nationals. As Dr. Wang explained, China present has this right but cannot enforce it because its courts lack jurisdiction."

Dr. Wang declared that China is anxious and willing to settle all vital issues between China and Japan by peaceful means. But China can give in no more. An attitude of conciliation on the part of China based upon the principle of environments would be reciprocated by the British.

The Chinese Government, stated Dr. Wang, is doing everything it can and doing it successfully to suppress unlawful

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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. Quatefen NARS, Date 12-18-75

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-2- #230 June 7, 9 a. m. from NANKING

Japanese propaganda but 'we cannot control or suppress the feelings in the heart of every Chinese, feelings which have been aroused by acts of Japan' nevertheless, the Chinese Government is doing everything possible to localize any undue incident that might occur.

Replying to recently circulated rumors that China and Soviet Russia were working hand in hand, Wang declared that 'We have not yet been able to conclude a commercial treaty with the Soviet Union because the views of Nanking and Moscow are not in agreement on several points'".

Sent to the Department, by mail to Peiping.

PECK

CSB

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

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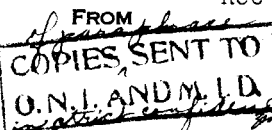
JR

This telegram was be-
Nanking
closely paraphrased be-
fore being communicated
to anyone. (A)

Dated June 7, 1937

Rec'd 7 a.m.

Secretary of State,
Washington.



231, June 7, 11 a.m.

My 230, June 7, 9 a.m.



7072

Informant stated that the Director of the Publicity Department of the Chinese Foreign Office stated positively that war between China and Japan would take place within five years. Informant said that statements made by the Minister for Foreign Affairs indicate beyond reasonable doubt that either an oral or a written understanding has been reached between China and Russia providing for joint military resistance to Japan in certain circumstances.

Among deletions made by the Foreign Office in the draft of the proposed telegraphic report of the interview was a statement by the Minister for Foreign Affairs concerning relations between the Soviet Union, Japan and China that the desire of China was to maintain peaceful balance in the Orient; that there was naturally a joint interest between the Soviet Union and China to resist continental aggression by Japan since China could not afford to see an increase in Japan's strength in Northern China following a defeat of Russia nor an increase in Russian strength following a defeat of Japan.

RR:WWC

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793.94/8648

F/G

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

(CONFIDENTIAL)

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PARAPHRASE

PRECISELY CONFIDENTIAL

A telegram (No. 231) of June 7, 1937, from the American Embassy at Nanking reads substantially as follows:

Mr. William R. Mathews, editor and publisher of the Arizona DAILY STAR, informed the Embassy that the Director of the Publicity Department of the Chinese Foreign Office said positively that within five years there would be war between China and Japan. Mr. Mathews said that statements of the Chinese Minister for Foreign Affairs show beyond reasonable doubt that an understanding, either written or oral, providing in certain circumstances for joint military resistance to Japan, has been arrived at between the Soviet Union and China.

A statement by the Minister for Foreign Affairs in regard to relations between China, Japan and the Soviet Union was among those deleted by the Foreign Office in the draft of the proposed telegram reporting the interview between the Minister and Mr. Mathews. This statement was to the effect that China desired to maintain a peaceful balance in the Far East and that as China could not afford to see Japan's strength increase in North China after a defeat of Russia nor an increase in Russian strength after a defeat of Japan naturally China and the Soviet Union had a joint interest in resisting aggression by Japan on the Asiatic mainland.

793.94/8648

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

793.94

DOCUMENT FILE

NOTE

SEE 893.00 P.R./135 FOR #420

FROM China (Nanking) (Johnson) DATED April 12, 1937
TO NAME 1-1127 ***

REGARDING: Sino-Japanese relations of the month of March, 1937.
Summary of the more important-

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II. Foreign Relations:

A. Relations with the United States:

Nothing to report.

B. Relations with other countries:

1. Japan:

a. Japan's China policy: optimism gives way to pessimism:

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(494-12)

The hope which existed during January and February that current Japanese reconsideration of policy toward China might result in a moderation persisted into March, increased early in the month, then gave way to pessimism. The early optimism was due to various factors, including (1) the appointment as Chinese Foreign Minister of Dr. Wang Chung-hui, whose legal and official experience indicated that he would handle Sino-Japanese affairs with ability, (2) the appointment as Japanese Foreign Minister of Mr. Naotake Sato, whose years of service in Europe indicated that he would be liberal in outlook; (3) Mr. Sato's initial statement which implied promise of re-orienting Japanese policy toward China "on a basis of reciprocity and equality"; (4) the unexpected press announcement March 5 by a Japanese Foreign Office spokesman that Japan sympathized with Chinese aspirations for abolition of extraterritoriality; (5) preparations for a Japanese economic mission to China.

Subsequent pessimism was caused by (1) press reports indicating that Mr. Sato, as result of pressure from Japanese reactionaries, altered his expressed view, his later statements showing little if any variation in attitude from those of his predecessors; (2) seeming failure

of

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of the Japanese economic mission; (3) evident stiffening of Chinese attitude toward Japan; (4) an increase in Hopei of incidents involving Japanese nationals and Chinese; (5) a serious conflict in view brought out by the visit of the economic mission, the Japanese wishing first to effect economic cooperation and the Chinese desiring first to settle political questions.

b. Considerations making improbable a revolutionary change in Sino-Japanese relations:¹

In contrast to the foreign press in China and important journals in the United States, England and other countries which interpreted Mr. Satoh's initial statement as foretelling commencement of a happier era in Sino-Japanese relations, Chinese newspapers were from the first either reserved or cynical. Editorial discussions, continuing as criticism was raised in Japan against M. Satoh and as the economic mission came and went (March 14-23), served to outline in terms more specific than had any official statement the underlying considerations in China's attitude toward rapprochement with Japan. These may be briefed as follows: (1) since the Mukden incident (September 18, 1931) Japan has occupied Jehol; seized control of North Chahar and East Hopei; invaded Suiyuan; established military missions in North China and Mongolia; attempted to detach five northern provinces; furthered (a) the illicit narcotics trade in North China with a view, inter alia, to undermining Chinese stamina and (b) the smuggling of Japanese goods into North China with a view, inter alia, to forcing reduction of Chinese tariffs; (2) political questions

arising

1. Embassy's (Nanking) despatch 397, March 22.

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

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arising from these circumstances must be solved before economic cooperation can be considered by China; (3) evidence of Japanese good faith must consist in at least abolition of the East Hopei regime and suppression of smuggling.

Laying aside the so-called Ho-Yenetsu agreement of June 1935, a matter of dispute, no fundamental adjustment of Sino-Japanese relations would appear possible so long as the Tangku Truce of May 31, 1935 (which provided that Chinese troops would not advance north and east of a line connecting Lutai, Hopei, and Yenching, Chahar) continues in operation. For the Truce makes possible the East Hopei regime which (1) provides a buffer between the rest of China and "Manchukuo", (2) permits the smuggling which gives the Japanese a lever for the reduction of Chinese tariffs. It could be argued that the Truce also gives de facto recognition to Japanese jurisdiction in Manchuria and Mongolia; in any case it has enabled Japan to suppress anti-Japanese "volunteers" in Manchuria who received some support and direction from Eastern Hopei, and it does not seem conceivable that the Japanese would be willing to relinquish these benefits. The conclusion to be drawn is that any purported moderation in Japanese policy toward China is one of strategy only, with Japanese objectives (involved in the relations of Japan and "Manchukuo" with Soviet Russia) remaining unchanged.

e. Chinese Foreign Minister's statement on policy:

In answer to criticism that the Government has shown weakness in the face of Japan's activities in China, official Chinese statements for 16 months have emphasized

the

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the continuity of foreign policy as formulated by the Fifth National Congress (November 12-25, 1935) which set a "definite limit to foreign aggression". The second plenary session of the Fifth Central Executive and Supervisory Committees (July 10-14, 1936) and the third plenary session (February 15-22, 1937) reaffirmed that policy. The manifesto of the third session defined it as embracing (1) adherence to the path of negotiations as long as possible, but without tolerating derogation of territorial sovereignty; (2) willingness to continue working for a preliminary adjustment of Sino-Japanese relations "on the basis of equality, reciprocity and mutual respect for each other's territorial integrity".²

It was accordingly not expected that Dr. Wang Chung-hui, taking office as Foreign Minister so soon after the close of the plenary session, would make any new announcements concerning Sino-Japanese relations. Dr. Wang assumed his duties March 8 and his statement, drafted chiefly for Japanese consumption, emphasized the fundamental principles of (1) mutual equality and respect, (2) normal diplomatic procedure in negotiations, (3) immediate suspension of unfriendly activities.³

The statement was otherwise significant principally for the lack of reference to a willingness to resume Sino-Japanese discussions, as mentioned in the plenary session's manifesto. This omission may have been in the nature of notice that the Chinese Government feels itself in a stronger position than formerly, this feeling having been born because (1) Chinese troops in November

1936

2. Embassy's (Nanking) despatch 378, March 15.

3. Embassy's (Nanking) 107, March 8, 4 p.m.; Embassy's (Nanking) despatch 392, March 22.

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1936 repulsed Japanese-directed "irregulars" who invaded Suiyuan; and (2) the Chinese have come to realize from Japan's failure to press her demands following the September 1936 Sino-Japanese discussions at Nanking, that Japan desires to avoid involvement in major military operations. This attitude, and the variance of the principles expressed by Dr. Wang with the views of Japan's reactionaries, were regarded by some observers as having precipitated the pressure on Mr. Satoh which caused him to recant from his own initial statement of policy toward China.

d. Japanese Economic Mission to China:

An economic mission, composing a group of leaders of Japanese industry, banking and business, arrived in Shanghai March 14. Its purpose, as reportedly stated in January by the Japanese Minister of Finance, was to (1) return the visit in October 1935 of a Chinese economic mission to Japan, (2) "impress upon Chinese official and private circles Japan's side of the argument for joint development of China's economic resources".⁴ The group proceeded to Nanking March 15, spent two days in entertainments tendered by Chiang Kai-shek, the Ministers of Foreign Affairs, Finance and Industry and the Japanese Ambassador, returned to Shanghai for discussions with Chinese officials and businessmen which continued until March 23 when the group disbanded.

Although the group had been publicized as an auxiliary diplomatic agency formed to solve Sino-Japanese political problems by effecting Sino-Japanese
economic

4. Embassy's (Nanking) 119, March 16, 1 p.m.; 121, March 18, 9 a.m.

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economic cooperation, its head was reported upon arrival in Shanghai as denying that it had been entrusted with any special mission other than to "prepare the ground" for economic cooperation. The visit caused extensive comment in the Chinese press partly because (1) it was realized that the members were in position to exert influence upon their Government, and (2) Mr. Satch's statement of March 8 and subsequent criticism of it in Japan brought to the forefront the question of Japan's policy toward China. In general the vernacular press was cynical as to what concrete result the mission might achieve, and discussions between members and Chinese officials and businessmen focused attention on, and worked to crystallize, a growing determination among Chinese that political issues between the two countries must be settled before Sino-Japanese economic cooperation can be considered.

A report that the Japanese military had dissuaded the mission from going to North China was convincingly denied, as far as the North China Garrison was concerned,⁵ by a Japanese official who stated that the Commander of the Garrison had, on the contrary, urged the mission to visit North China but the mission had already made plans to disband. Following disbandment, a few members, including the President of the Bank of Chosen, paid a brief visit to North China.

e. Lack of progress in economic cooperation in North China:

Among the causes of dissatisfaction on the part of the Japanese military with Sino-Japanese relations was the attitude

5. Embassy's (Peiping) 96, March 23, 12 noon.

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attitude of Chinese officials toward economic cooperation in North China.⁶ For example, according to a responsible Japanese official, delay in beginning construction of a railway from Shihkiachwang, near the Shansi and western Hopei coal fields, to Tientsin was due to continuing refusal of Chinese officials to sign an agreement therefor. Part of the Japanese dissatisfaction, however, could not be laid to Chinese officials. It was learned that Japanese experts entertained serious doubts as to the economic wisdom of exploiting iron ore deposits of southern Chahar by which Japanese military have set much store.

General Sung Che-yuen returned March 9 to Peiping, ending a visit to Tientsin of several weeks during which he presumably discussed economic cooperation with Japanese military, and was reported as saying that development of economic resources would be guided by the principles of equality, reciprocity, and mutual prosperity.⁷

f. Narcotics, smuggling, East Hopei, and North Chahar:

Although some improvement in the smuggling situation took place, as described in a subsequent section, no improvement in the narcotic situation was apparent on the surface, although it was understood that the Japanese authorities had drawn up a plan for the gradual suppression of heroin shops run by Koreans in Peiping.

Also, notwithstanding rumors from Chinese sources that the Japanese were considering the return to Chinese

control

6. Embassy's (Peiping) 99, March 24, 3 p.m.

7. Embassy's (Peiping) 89, March 11, 5 p.m.

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control of those parts of Hopei and Chahar provinces now under Japanese control, there seemed to be little probability that this would be effected in the near future. This view was expressed in conversation both by a Japanese civilian official and by a high Japanese military officer.⁸ As the month progressed, the return of the area in Hopei under the nominal control of Yin Ju-kong became even less probable as a result of the putting into circulation there of new money issued by Yin's regime, presumably for the purpose of driving out money issued in other parts of China.⁹ Japanese officers were reported as saying that the return of Chahar north of the Great Wall to Chinese control was even less probable than the return of Yin's area, as north Chahar was Mongol territory and was strategically important to Japan.

g. Mongol regime in Chahar:¹⁰

Further information became available with regard to the puppet Mongol regime established in Chahar some time during 1938 by Japanese military. According to this information, the headquarters of the regime is located at Chapsar in western Chahar; the "Government" includes about one hundred Mongols, with Prince Teh as "Chairman"; and Japanese advisers are the directing force.

h. Situation in Suiyuan: less danger of conflict: Chinese celebrations:

Evidence of indefinite postponement of another Japanese-directed attack on Suiyuan was (1) the

opening

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8. Embassy's (Peiping) 97, March 23, 4 p.m.
9. Paragraph 4, Embassy's (Peiping) 92, March 16, 5 p.m.
10. Embassy's (Peiping) 92, March 16, 5 p.m., and 93, March 18, 4 p.m.

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opening of travel in Chahar north of the Wall to foreign missionaries,¹¹ (2) the alleged removal¹² of Japanese military supplies in that province to Dolonor in eastern Chahar, and (3) the replacing of Japanese officers presumably partially responsible for the attack on Suiyuan last November with officers alleged to be less aggressive.¹³

Meanwhile, Japanese military regarded with distaste Chinese observances¹⁴ at Kueihwa, the Suiyuan provincial capital, which gave the appearance of a celebration of a victory over Japan, and consisted of a memorial service March 15 for those who fell in the fighting of last November, a military review on the second day, and the opening on the third day of the 1937 session of the District Autonomous Political Council of Mongolian Leagues and Banners in Suiyuan. These ceremonies gained significance from the attendance of Wang Ching-wei and other representatives of the National Government, as well as General Yen Hsi-shan and representatives of General Sung Che-yuan and other Chinese leaders. The celebrations were one of the developments during March which led Japanese to feel that the Chinese were becoming "arrogant" toward Japan.

1. Incidents Involving Chinese and Japanese:

The number of incidents involving Chinese and Japanese nationals increased during March somewhat alarmingly in Hopei Province. The more important are described below.

Search

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- 11. Paragraph 6, Embassy's (Peiping) 88, March 11, 4 p.m.
 - 12. Paragraph 1, Embassy's (Peiping) 88, March 11, 4 p.m.
 - 13. Paragraph 2, Embassy's (Peiping) 93, March 13, 4 p.m.
 - 14. Paragraph 3, Embassy's (Peiping) 92, March 16, 5 p.m.

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Search of Japanese on the Ping-sui Railway:¹⁵ The continuing search by Chinese soldiers of Japanese, including consular and military officers, traveling on the Peiping-Suiyuan Railway, brought forth March 23 written representations from the Japanese Embassy at Peiping to General Ch'in Teh-ch'un, subordinate of General Sung Che-yuan and Mayor of Peiping, which contained a request for an apology, punishment of officials immediately involved, and promise of non-recurrence. No reply was made by the Chinese during the rest of March. The significance of the searching of Japanese travelers, which the Japanese claimed had been done at revolver point, seemed to be its indication of a definitely anti-Japanese attitude on the part of General Sung's subordinates.

Killing of two Koreans:¹⁶ Members of a Chinese peace preservation corps fired on March 11 at a truck carrying smuggled goods near Tsangchow, sixty miles south of Tientsin, killed two Koreans and wounded another. A satisfactory settlement was reputedly reached.

Wounding of a Chinese:¹⁷ Another incident which indicated the increasing courage of Chinese vis-a-vis Japanese was a fight on March 25 at the Tientsin Station in which a number of Chinese carters successfully resisted the removal of cargo by a group of Japanese nationals (Formosans) led by two Chinese. In the fight one of the Chinese carters was seriously wounded.

1.

15. Embassy's (Peiping) 100, March 23, 6 p.m., and 101, March 27, 12 noon.

16. Tientsin's despatch to Department March 26 and Embassy's (Peiping) 108, March 30, 4 p.m.

17. Tientsin's despatch to Embassy 459, March 26.

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j. Improvement in smuggling situation in North China¹⁸

The amount of goods smuggled into Hopei Province during March was less than in February, which had been less than during January. This continuing decrease was presumed to be the outcome of stronger measures on the part of the Chinese authorities, a firmer attitude on the part of foreign authorities in Tientsin, and an oversupply of smuggled goods in storage at Tientsin.

The outstanding event of the month in connection with smuggling was the application on March 23 to the Customs and payment of duty on smuggled goods by a Japanese firm, the Kamezuka Shoten, located in the Japanese Concession at Tientsin. It was understood that several other Japanese "special traders" might make similar applications in order to dispose of the accumulation of smuggled goods. This was the first concrete evidence of a definite weakening on the part of the smugglers.

k. Unsatisfactory Japanese relations in Shanghai and south China

In Shanghai outward smuggling of copper coins by Japanese resulted in several clashes between smugglers and Customs officers¹⁹. In Canton Japanese authorities complained of persecution of Japanese merchants. Smuggling of Japanese goods into Canton continued but was reduced through action taken by Chinese authorities.²⁰ The Wuchow Anti-Japanese Association, reputedly having the approval of Kwangai authorities, continued to seize Japanese wares.

1.

18. Tientsin's despatches to Department of March 19 and 26.
19. Shanghai's month political review for March.
20. Canton's monthly political review for March.

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1. Japanese military conference at Shanghai:

Japanese military and naval officers from various Chinese cities conferred at Shanghai March 9-12, reportedly discussing questions of Japanese policy and routine matters.

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

DOCUMENT FILE

NOTE

SEE 033.4711 Lyons, J.A./38 FOR Tel. #348. 4p.m.

FROM Great Britain (Bingham) DATED June 4, 1937
 TO NAME 1-1127 ***

REGARDING: Conversation with Lyons who advised that the Chinese Ambassador had informed him that the Japanese were not making the expected progress in Manchukuo as hoped for and they were finding their penetration policy ~~program~~ becoming difficult and burdensome. Too the Ambassador felt in view of this fact there might be a possibility of bringing about an agreement with Japan thereby limiting Japanese activities in the Far East.

drp

793.94/ 8650

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

DOCUMENT FILE

NOTE

SEE 711.94/1136 FOR Tel.#151-2pm.

FROM Japan (Grew) DATED June 7, 1937.
//tp// NAME 1-1127 GPO

REGARDING: Hirota's policies in regard to Sino-Japanese relations: He discussed -, in conversation with Ambassador Grew.

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793.94/8651

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

72

JS

Gray

TOKYO

Dated June 7, 1937

Rec'd 6:08 a.m.

note
793.94

Secretary of State,
Washington, D.C.

151, June 7, 2 p.m.

One. In my initial interview today with the new Foreign Minister Hirota asked me to tell the President and yourself that his guiding policy in conducting Japan's relations with the United States would be based on the exchange of messages with you in 1934.

Two. With regard to the Sino Japanese affairs he said that his former "three points" were too abstract for present circumstances. He therefore proposed to find concrete solutions of the various outstanding problems between Japan and China.

Repeated to Peiping.

GREW

JS

711.94/1136

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

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DOCUMENT FILE

NOTE

SEE 893.00 P.R. Shanghai/103 FOR #760

FROM Shanghai (Gauss) DATED May 4, 1937
TO NAME 1-1127 ...

REGARDING: Sino-Japanese relations: summary of the more important-,
of the month, local and national.

FRG.

793.94/8652

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b. Relations with Other Countries.

Japan. The feeling persisted in some well informed circles in Shanghai that a definite improvement in Sino-Japanese relations might be anticipated in the near future. The remarks made by Ambassador Kawagoe during the course of an interview granted by him to Japanese press representatives in Shanghai on April twenty-third were cited as a further indication that the pursuit of a more moderate and conciliatory policy is being given increasingly serious consideration by high Japanese officials. Mr. Kawagoe is reported to have stressed the fact

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fact that a readjustment of relations between China and Japan could be achieved only through "mutual concessions." The Japanese Ambassador sailed from Shanghai on April twenty-eighth, having been recalled to Tokyo to report to the Ministry of Foreign Affairs on the situation in China and in regard to Sino-Japanese relations in particular. Some observers anticipate that Mr. Kawagoe will in fact advocate a more conciliatory policy, but others express themselves as being frankly skeptical of any radical change in Japanese policy unless the military clique in Japan is forced by recent political developments in that country to play a secondary role.

Local Sino-Japanese relations during the month were uneventful. A welcome indication of some change in the attitude of the Japanese naval authorities in Shanghai was the order given for the reduction of sentry posts and patrols in the Hongkew area. A spokesman of Japanese Naval Headquarters stated it was hoped that this action would make a further contribution to the restoration of "amity among all communities in that part of the International Settlement." It is also understood that instructions regulating the staging of maneuvers have been issued which are designed to reduce to a minimum the inconvenience heretofore caused to local residents by such demonstrations.

Reported Establishment of Japanese Economic Bureau in Shanghai. Press reports indicated that it is the intention of the Japanese Foreign Office to open a separate department in the Shanghai office of the Japanese Embassy

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Embassy to undertake economic and financial investigations.
It was further reported that Mr. Okamoto, newly appointed
Consul General at Shanghai and Counselor of the Japanese
Embassy, will assume charge of this department.

0650

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DOCUMENT FILE

NOTE

SEE 893.00 P.R. Canton/112 FOR #68 to Embassy

FROM Canton (Fletcher) DATED May 3, 1937
TO NAME 1-1127 cpo

REGARDING: Sino-Japanese relations: Surrender of Silver holdings by Bank of Taiwan; undiminished press hostility to Japan; Increased friction over Hainan Island; Japanese protest over treatment accorded Japanese visitors; Japanese position improved by arrival of new Chairman; continued trouble with Kwangsi.

FRG.

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E. Relations with Japan:

(a) Surrender of Silver Holdings by Bank of Taiwan:

The Bank of Taiwan undertook arrangements to hand over to the Central Bank of China the silver holdings of its Canton and Swatow branches, totalling about Ca\$450,000.^{*}

(b) Undiminished Press Hostility to Japan:

Despite evidence that Japanese civilian quarters were striving with at least some momentary success, to achieve a more conciliatory Japanese policy toward China, there was no noticeable abatement in the activity of local press hostility to Japan. The reported friendly gestures of the Japanese Foreign Office and industrial circles were generally ignored, scorned as hypocritical, or at best treated as inevitably futile attempts to prevent the Japanese Military from pursuance of their imperialist continental program. The specific grounds for attack advanced in the very numerous anti-Japanese editorials included: the Japanese naval demonstration at Tsingtao; Japanese smuggling; alleged recent Japanese attempts to create trouble at Swatow; fabrication of false rumors by the Japanese press; alleged trickery of the Japanese Ambassador; continued Japanese support

of

* Despatch No. 59 of April 13, 1937.
 # Telegram of April 12, 4 p.m.

793.94

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of the semi-autonomous government in eastern Hobei; Japan's unwillingness to satisfy China's political grievances as a condition to economic cooperation; Japan's economic invasion of the country; and alleged Japanese machinations in regard to Hainan Island."

(c) Increased Friction over Hainan Island:

Hainan Island became an increasing cause of friction in local Sino-Japanese relations. One vernacular paper carried scathing editorials declaring that Japan, having definitely marked out Hainan for her own military and economic uses, was on the point of preventing China from carrying out her program of military defence of the island and its economic development with the friendly cooperation of Britain, America and France. Press reports also asserted that Japanese agents were trying to stir up subversive movements on the island and that Japanese consular officials had made secret visits there which the Chinese authorities would strongly protest. In this connection, it was learned from Chinese official sources that two representatives of the local Japanese Consulate General had in fact recently visited Hainan; that one of these visits was concerned with Chinese attempts to deport a Japanese resident of Heihow (northern Hainan);^{*} and that the Japanese Consul General recently, within a period of a few days, filed three strong oral protests against alleged Chinese discrimination in barring Japan from the participation in the island's exploitation which it invited from Britain, America and France.

(d) Japanese Protest over Treatment Accorded Japanese Visitors:

A Chinese official reported confidentially that he had seen an instruction from Peking relative to a protest regarding claimed discriminatory and insulting treatment accorded Vice

Admiral

* Despatch No. 60 of April 17, 1937.
 / Political Review for January, 1937.

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

-7-

Admiral Hasegawa and other most distinguished Japanese visitors of the Kwangtung authorities which had been filed by the Japanese Ambassador on the basis of memoranda submitted by the Admiral and Japanese Consul General at Canton.

(4) Japanese Position Improved by Arrival of New Chairman:

There appeared reason to believe that the assumption of the office of the Kwangtung Government Chairmanship might somewhat improve Japan's unsatisfactory relations with Canton, in view of: 1) favorable private comments on the event by a local Japanese consular official; 2) the circumstances that Chairman Li, in contrast to the recent practice of his predecessors, personally attended the reception given at the Japanese Consulate General on the Japanese Emperor's Birthday.

(5) Continued Trouble with Kwangsi:

Reliable private information corroborated signs in the Kwangsi press that the Kwangsi leaders have if anything stiffened in their anti-Japanese attitude since their reported reconciliation with Nanking; and press items reporting new seizures of Japanese goods at Nanking and Canton indicated that the Kwangsi anti-Japanese Association was brooding increasingly active in boycott work. The only known remaining Japanese resident of Kwangsi was deported from Nanking on charges of espionage in the face of strenuous Japanese consular protests. The Japanese Consul General privately confided that he did not dare accept a trip to Kwangsi in view of the hostile attitude of the Province.

765

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

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BC

TELEGRAM RECEIVED

Gray and Special Gray

Peiping via NR

Dated June 10, 1937

Received 10 AM.

FROM

1-1336

793.94
Secretary of State,
Washington.

COPIES SENT TO
U.N.I. AND M.L.D.

Division of
FAR EASTERN AFFAIRS
JUN 10 1937
Department of State

164 June 10, 5 p.m. /8627

/8634

Embassy's 134, May 12, 7 p.m. and 145 May 24, 1 p.m.

One. Sung Che Yuan continues in retirement in
Western Shantung.

Two. Japanese in North China regard his lengthening
absence as due to Sung's desire (a) to avoid Japanese
representations for economic collaboration and perhaps,
(b) to avoid pressure by the National Government for
increase of its influence in this area. Japanese opinion
is that pro-National Government elements are taking
advantage of Sung's absence to increase the Government's
influence.

Three. Some Chinese also express the above views.
Others think that Sung is agreeable to increased influence
of the National Government because he realizes that he
cannot go against the general trend in China toward unity.

Four. Sung is probably staying in retirement in the
hope that time will solve some of very material difficulties
before he resumes his duties. Sung is meeting with

Chinese

793.94/3654

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F/G

30-2

Page 2 from Peiping No 164

Chinese leaders who visit his place of retirement from time to time.

Five. Japanese and Chinese are agreed that the National Government is making efforts to increase its influence in Hopei. Recent evidence is as follows:

(A) Physical (military) summer training for Peiping students, which was suspended last summer because of Japanese displeasure, is allegedly being reinstituted.

(B) Peiping students have been forbidden to parade or lecture, the purpose being apparently to avoid students' activities directed against Japan and the National Government

(C) Chinese are attempting to prevent Japanese from obtaining leases of land in Hopei, even when done through the names of complacent Chinese.

(D) Allegedly the local authorities intend to prepare for elections of delegates for the approaching Peoples' National Assembly.

(E) Sung

165F

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

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Page 3 from Peiping No 164

(E) Sung is avoiding discussion with Japanese of construction of the Shih K~~i~~ach Wang Tientsin Railway.

(F) Evidently the Hopei authorities have decided not (repeat not) to cooperate economically with the Japanese unless East Hopei is returned.

Six. It is apparent that Sino-Japanese relations are dead-locked. Chinese and Japanese informants agree that the Hopei authorities there offered to cooperate, including the building of the Shih K~~i~~ach Wang Tientsin Railway, if East Hopei is returned. There is little or no prospect of its being returned, partly because Japanese in Manchuria feel that the existence of this buffer regime has played an important part in the recent developments of subversive activities in Manchuria. From statement of Japanese, it is evident that the Japanese desire the situation to continue to be quiet but that they fear the dead-lock will evidently be broken by some too forward movement on the part of the Chinese which will precipitate serious trouble.

By mail to Tokyo.

JOHNSON

CSB

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

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DOCUMENT FILE

NOTE

SEE 893.00 P.R. Amoy/116 FOR #124

FROM Amoy (Dick) DATED May 4, 1937
 TO NAME 1-1127 670

REGARDING: Sino-Japanese relations: summary of the more important developments of the month of April, 1937.

FRG.

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

79394
 2. Japan.

a. Mr. Y. Yamada, Japanese Consul General, has been transferred to the Foreign Office in Tokyo but he has not yet been advised of the name of his successor.

Mr. Yamada

- 5 -

Mr. Yamada does not know the reason of his transfer as he has not been two years in Amoy, but he believes that it is part of a general shake up of his service in China.

b. Nine persons have been arrested for endeavoring to smuggle coppers to a "certain country", and the police are seeking several merchants, accused as traitors, for their role in gathering the coppers and selling them.

c. The inspection by a Special Representative of the Emperor of the 3rd Fleet in Amoy (reference No. 90) was cancelled, due, it was said, to the potential epidemic of plague reported near Amoy. There were two deaths of pneumonic plague, one imported and the other a nurse in the Quarantine Hospital.

d. The Bank of Taiwan on April 7, 1937, turned over about Yuan 230,000, under certain conditions, to the Central Bank of China for shipment to Shanghai.

e. Relations of a general international character.

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

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DOCUMENT FILE

NOTE

SEE 893.00 P.R. Foochow/111 FOR #786

FROM Foochow (Burke) DATED May 5, 1937
TO NAME 1-1127

REGARDING: Sino-Japanese relations of the month of April, 1937: The Japanese Emperor's birth anniversary; famous Japanese wrestlers visit Foochow; Bank of Taiwan delivers silver dollars to Central Bank of China.

FRG.

793.94/ 3656

8656

79394

2. Japan:

a. The Japanese Emperor's birthday:

The Japanese Emperor's birthday was celebrated on April 29, 1937, at the Japanese Consulate General, by a large international gathering (a large number being Chinese). The Chairman of the Fukien Provincial Government made a fitting reply to Mr. Goro Uchida, the Japanese Consul General's, speech of welcome and toast to the Emperor.

b. Famous Japanese wrestlers visit Foochow:

The famous Osaka (Smo) wrestlers, some of the giants of Japan, gave a spectacular exhibition at Foochow on the afternoon of April 25, 1937. The large international gathering--principally, Chinese and Japanese subjects--gave every indication of enjoying this unusual occasion.

The

-6-

The British Consul and the writer attended, by invitation of the Japanese Consul General.

If the British had any desire--during their April, 1937, drive on Foochow--of impressing the local populace by a show of brute force, they were "out-bruted" by the exertions of these forty odd powerful wrestlers.

c. Bank of Taiwan delivers silver dollars to Central Bank of China:

According to well-informed circles, the Bank of Taiwan delivered a sum of Yuan \$170,000 in silver coins to the Central Bank of China on April 9, 1937.

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

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DOCUMENT FILE

NOTE

SEE 893.00 P.R. Tsinan/108 FOR #14

FROM Tsinan (Allison) DATED May 6, 1937
TO NAME 1-1127 GPO

REGARDING: Sino-Japanese relations of the month of April, 1937: Sino-Japanese economic cooperation; smuggling; flight of Japanese airplanes to Tsinan.

FRG.

793.94/3657

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

17394
 1. Japan.

a) Sino-Japanese Economic Cooperation.

On April 10th, the local official newspaper published a long editorial on the above subject based upon the press reports of the visit to China of the Kodama Mission. The editorial points out that if there is evident an anti-Japanese attitude on the part of China, it is because the acts of Japan have forced China to take such an attitude. The article concludes:

"Japan needs China as her warehouse of raw materials and market for her commodities, and at the same time Chinese economic reconstruction requires large quantities of pecuniary and technical assistance. It is indeed strange that two countries so close to each other should never have discovered a way to cooperation. We sincerely hope that the Japanese Government will examine where the past trouble lies, decide on a more appropriate policy towards us so that the future development of the two countries may be carried out under the influence of cooperation."

It is believed that this editorial express the general attitude of the local Chinese officials on the subject of Sino-Japanese cooperation. They recognize that it would be a good thing but they are not willing to carry it out unless Japan changes her methods of dealing with them.

The evident lack of success to date, on the part of the Japanese, in establishing new Japanese enterprises in this part of Shantung is probably due in large part to the opposition of Chang Hung-lich, the provincial Commissioner of

Reconstruction

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

- 2 -

Reconstruction. The writer was told by Mr. Chang a few days ago the details concerning the attempt of the Japanese to establish an experimental farm near Tainan. (See Political Report for March, page 9) Mr. Chang had been asked to go to the Japanese Consulate General where he was informed of the desire of the Japanese to establish the farm and asked to give his consent to the lease of land for the purpose. Mr. Chang pointed out that the Chinese had already established experimental farms of their own and that his department was doing all in its power to improve the agricultural output of the Province. Mr. Arino insisted and upon Mr. Chang's continued refusal, Mr. Arino accused him, in language, according to Mr. Chang, far from polite, of being an obstructionist and the leader of the anti-Japanese movement in Shantung. Mr. Chang said that the discussion was becoming heated and he feared that he would soon completely lose his temper, when it was announced that the American Consul had come to keep an appointment with Mr. Arino. Mr. Chang said he was very thankful I had come when I did for it had given him an opportunity to get away without committing himself, and the subject had not since been reopened.

The main difficulty the Japanese find is that of securing land upon which to erect mills and other enterprises. This has been admitted to the writer by the Japanese Consul General. An interesting fact concerning the reason for this difficulty was learned by the writer recently in the course of a discussion with the Provincial Commissioner of Civil Affairs over a misunderstanding about lease of property by an American Mission. The Commissioner said that a secret instruction

had

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

- 3 -

had been received from the Executive Yuan that no land should be leased to foreigners without securing the approval of the Ministry of the Interior at Nanking. The Commissioner added, "Of course, this is not meant to affect Americans or British," and it was obvious to whom it was meant to apply.

b) Smuggling.

There have been no large scale importations of smuggled goods into Tsinan during April, the activities of the local anti-smuggling office being mainly confined to seizures of goods previously imported and now stored within the city. The local authorities have cooperated fully with the Customs officers and so many seizures have been made that possessors of smuggled goods are moving them to Japanese godowns. According to Mr. Li Tung-hwa, director of the Tsinan anti-smuggling bureau, the Japanese godowns are now charging such exorbitant rates that within a few months all the profits will have been eaten up. He stated that the Tsinan Chamber of Commerce has opened negotiations with him, on behalf of the Chinese merchants, for the release of smuggled goods previously imported, upon the payment of a sum to be mutually agreed upon. Inasmuch as the roads leading out of the city are being patrolled and it is impossible to ship the smuggled goods further into the interior, Mr. Li hopes that within six months smuggling will be completely at a standstill.

c) Flight of Japanese Airplanes to Tsinan.

The writer was informed by a member of the Provincial Government that a protest had been made during April to the Japanese Consulate General against the continued unauthorized

flight

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

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flight of Japanese military planes to Tainan from Tientsin.
As yet there is no evidence that such flights are being
stopped for the very day after the above information was
received the usual weekly plane arrived.

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

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DOCUMENT FILE

NOTE

SEE 894.00 P.R./113 FOR #2422

FROM Japan (Grew) DATED May 14, 1937
TO NAME 1-1127 GPO

REGARDING: Sino-Japanese relations: summary of the more important developments of the month of April, 1937.

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

(b). China.

79394
 At the close of the month it appeared that Sino-Japanese negotiations were at a standstill, owing principally to China's realization of its increased strength and of Japan's weaknesses, and to Japan's understanding of this feeling on the part of the Chinese.** Divergent points of view are held by the two countries regarding the improvement of relations: Japan wants to attain certain economic objectives in China while the latter country insists that economic matters cannot be discussed before political issues are disposed of. The two principal political issues are the continued existence of the East Hopei Autonomous Government and the "special trade" or smuggling in North China, for both of which the Japanese are responsible. It is obvious that the Japanese authorities, including the military, see the necessity of adopting a less aggressive attitude toward China as the result of the strides made by that country toward national unification. However, it remains vague
as

* Embassy's despatches No. 2371 of April 16; No. 2386 of April 29; and No. 2397 of May 1, 1937.
 ** Embassy's despatch No. 2365 of April 16, and No. 2396 of April 30, 1937.

as to whether any kind of rapprochement can be made between the two countries in the near future.

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

DOCUMENT FILE
NOTE

SEE 740.00/184 FOR Letter
(Approximate)
FROM Treasury Department () DATED March 30, 1937
TO NAME 1-1127 670

Memorandum from Mr. Chamberlain, Chancellor of the Exchequer to Secretary Morgenthau.
REGARDING: British note to the Treasury Department indicates that Japan in the Far East is another Power with far-reaching ambitions which affect the interests of Great Britain in that region. The strain upon British resources is therefore seriously aggravated by the necessity of providing for the protection of its Far Eastern and Pacific interests, especially when engaged in hostilities in Europe.

793.94 / 8659

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

DOCUMENT FILE

NOTE

SEE 893.00 P.R.Tsingtao/110 FOR Desp.#188

FROM Tsingtao (Sokobin) DATED May 3, 1937
NAME 1-1127

REGARDING: Relations with Japan: Reports latest developments
in this connection.

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793.94/ 3660

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

DOCUMENT FILE

NOTE

SEE 740.00/184 FOR Memorandum

~~FROM~~ British Embassy () DATED June 1, 1937
TO NAME 1-1127 GPO

REGARDING: The United States Government concur in opinion that orderly stability is desirable and should be sought by interested countries in the Far East.

Informal memorandum to be transmitted to Chamberlain.

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

3/-1

DEPARTMENT OF STATE
DIVISION OF FAR EASTERN AFFAIRS

June 26, 1937.

~~MEM~~
~~TCV~~
~~MMH~~

Nanking's No. 463, May 12, 1937, entitled "Sino-Japanese Relations."

The despatch encloses a copy of a Japanese newspaper item under date May 4, 1937, quoting the following statement attributed to Mr. Sato, Minister for Foreign Affairs:

"...about a decade ago, when anti-British sentiment prevailed in that country (i.e. China), Great Britain asked Japan to send a joint expedition to China. Japan at that time, he said, declined to comply with this request.

"Similarly," he added, "I fear that Great Britain would possibly hesitate to accept Japan's offer of co-operation in China, if such an offer were made now, especially since China would naturally look with disfavor upon Anglo-Japanese co-operation in China'."

On May 7 an official of the Chinese Foreign Office stated in conversation with an officer of the Embassy that it was quite evident that in making this statement Mr. Sato was either extremely stupid or had wished to drive a wedge between Great Britain and China just when their relations

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DEPARTMENT OF STATE
DIVISION OF FAR EASTERN AFFAIRS

-2-

relations showed signs of becoming friendly.

The Embassy states that the German Chief Military Adviser to the National Military Affairs Committee assured the Committee that the Chinese Army has now reached such a state of high efficiency that it need not fear the outcome of a clash with Japan.

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

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No. 463

EMBASSY OF THE
UNITED STATES OF AMERICA
Nanking, May 12, 1937
DIVISION OF
AFRICAN AFFAIRS
JUN 30 1937
DEPARTMENT OF STATE

Subject: Sino-Japanese Relations.

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no
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JUN 15 1937

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COMMUNICATIONS
AND RECORDS

Copy in FE
Division of
AFRICAN AFFAIRS
JUN 15 1937
Department of State

793.94/3662

The Honorable
The Secretary of State,
Washington.

Sir:

1/ I have the honor to enclose herewith a copy of
a Japanese Domei news telegram dated Tokyo, May 4,
1937, quoting a remarkable statement attributed to
Mr. Sato, Minister for Foreign Affairs.

The Department will note that Minister Sato made
the rather startling revelation that

"about

JUL 1 - 1937

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- 2 -

"about a decade ago, when anti-British sentiment prevailed in that country (i.e. China), Great Britain asked Japan to send a joint expedition to China. Japan at that time, he said, declined to comply with this request.

"Similarly," he added, "I fear that Great Britain would possibly hesitate to accept Japan's offer of co-operation in China, if such an offer were made now, especially since China would naturally look with disfavor upon Anglo-Japanese co-operation in China".

The news despatch does not so state, but obviously Mr. Sato's remarks were elicited by queries concerning the reliability of numerous reports now current to the effect that conversations are in progress in London between Japanese and British statesmen having in view "Anglo-Japanese co-operation" in China.

2/ To indicate the nature of press reports current here regarding the conversations now being conducted in London concerning Anglo-Japanese co-operation in China I enclose a copy of a Reuter despatch dated London, May 6 which reports a reply made by the Under Secretary of State for Foreign Affairs to a Parliamentary interpellation, in which he said that a number of informal conversations had occurred in recent months with the Japanese Ambassador with the object of improving Anglo-Japanese relations generally, but no concrete suggestions had hitherto been made by either side on their interests in China, or on any other matter; the desirability of keeping other interested governments informed had not been overlooked.

On

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

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- 3 -

On May 7 a Chinese official of some rank in the Foreign Office stated to the Counselor of the Embassy at a social affair that he regarded the statement of Minister Sato quoted in the second paragraph of this despatch as extremely stupid, and most surprising as coming from a seasoned diplomat like Mr. Sato. He said that it was quite evident that in asserting that there had been a British proposal for a joint Anglo-Japanese military expedition into China in 1927, or thereabouts, Mr. Sato had wished to drive a wedge between Great Britain and China just when their relations showed signs of becoming very intimate and friendly and that, obviously, such an attempt could end only in failure. The point of the informant's remarks was, however, that such an ill-considered attack on Sino-British relations by the Japanese Foreign Minister could proceed only from a feeling of desperation on his part over the hopelessness of the relations between Japan and China and he feared that if Japanese civilian officials took such desperate measures to relieve a hopeless situation, Japanese military officers might be in a frame of mind to adopt even more desperate expedients, in complete disregard of the possibly fatal effect on the future of Japan and on the peace of the world. <The informant had in mind, quite evidently, a large-scale Japanese military invasion of North China.> He expressed the opinion that Japan would ruin itself if it attempted to

conquer

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

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conquer China by military force, partly because of the intrinsic difficulty of the undertaking, and partly because the Japanese people, after the first burst of patriotic enthusiasm, would revolt against the sacrifices entailed, but he did not think the possible peril to Japan would deter Japanese militarists.

On the evening of May 7, at another social affair, I chanced to be in conversation with the Minister of Railways and he expressed somewhat similar forebodings over the probability of imminent Japanese pressure on China, but what he feared was an attempt to dominate China in economic, not military, ways. He did not believe Japan would try to conquer China by force of arms. Both to me and to a member of my staff on the same evening he said that he anticipated that the Japanese military authorities in North China would try to compel General Sung Che-yuan to sign a contract for construction by the Japanese of the Tientsin-Shihchiachwang Railway, a line which, masquerading as an economic enterprise, is really desired by the Japanese for its strategic and military usefulness.

The Chinese reading public seems to be following with close attention the three-cornered struggle now in progress in Japan between the major political parties and the Cabinet and between the Cabinet and the military faction. While some Chinese take consolation in the theory that these internal perplexities will divert Japanese attention from the China adventure,

others

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others find in them reason for increased anxiety, on the ground that the internal dissensions may goad the Japanese militarists to such a state of exasperation that they will take the reins into their own hands, abruptly break off all attempts to settle Sino-Japanese problems through negotiation and take steps to carry out their "continental policy" by the use of armed force.

In this relation, the Embassy has received reliable information to the effect that the German chief military adviser to the National Military Affairs Committee has confidentially informed the Committee that the Chinese army has now reached a state of high efficiency and that it need not seriously fear the outcome of a test of strength with Japanese troops.

Respectfully yours,

Nelson Trusler Johnson

Nelson Trusler Johnson.

Enclosures:

1. Copy of Domei News Telegram,
May 4, 1937
2. Copy of Reuter Despatch
May 6, 1937.

Original and four copies to Department
Copy to Peiping
Copy to Tokyo

710.

WRP:MM

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

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THE CHINA PRESS, May 5, 1937.

"Farewell Gift" Hoped For

TOKYO, May 4.--(Domei).--Foreign Minister Naotake Sato told the press last night that he hoped to give Mr. Constantin Yureneff, Soviet Ambassador to Tokyo who has been ordered to Berlin, a "farewell present", in the form of a settlement of "at least one of the many pending Soviet-Japanese problems".

Turning to China, Mr. Sato recalled that about a decade ago, when anti-British sentiment prevailed in that country, Great Britain asked Japan to send a joint expedition to China. Japan, at that time, he said, declined to comply with this request.

"Similarly", he added, "I fear that Great Britain would possibly hesitate to accept Japan's offer of co-operation in China, if such an offer were made now, especially since China would naturally look with disfavor upon Anglo-Japanese co-operation in China".

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NORTH-CHINA DAILY NEWS, May 7, 1937.

British Parleys With Japan and China Progress

Conversations at Whitehall for Dr. H. H. Kung

COMMONS STATEMENT ON TOKYO TALKS

London, May 6.

Mr. Geoffrey Mander, Liberal member for East Wolverhampton, invited the Government in the House of Commons to-day to make a statement with reference to negotiations between Britain and Japan concerning their interests in China. He also enquired whether the United States had been invited to co-operate.

Viscount Cranborne, Under-Secretary of State for Foreign Affairs, replied that a number of informal conversations had occurred in recent months with the Japanese Ambassador, Mr. S. Yoshida, with the object of improving Anglo-Japanese relations generally but no concrete suggestions had hitherto been made by either side on their interests in China or on any other matter. The desirability of keeping other interested governments informed had not been overlooked.

Mr. Mander asked if the Government proposed to convert these informal conversations into formal conversations.

Viscount Cranborne: "Yes, if the situation requires it."

Sino-British Parleys

Arrangements are being made for conversations between Dr. H. H. Kung, China's Special Ambassador and Chief Delegate to the Coronation, and Mr. Neville Chamberlain, Chancellor of the Exchequer, and Mr. Anthony

Eden,

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

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Eden, Secretary for Foreign Affairs.

It is improbable, however, that the talks, which are expected to deal, in concrete terms, with matters of mutual interest to both countries, will be held before the Coronation, as much preparation is necessary.

Dr. Kung had a lengthy conversation on a wide range of subjects with both Mr. Chamberlain and Mr. Eden at the banquet given by the Chinese Ambassador, Mr. Quo Tai-chi, on Tuesday evening.

Dr. Kung and Admiral Chen Shao-kuan, Deputy Delegate and Minister of the Navy, were honoured at a dinner last night by the Parliamentary China Committee of the House of Commons. Mr. Quo Tai-chi was unable to be present as he was attending Their Majesties' first court at Buckingham Palace.

Earl Winterton, Conservative member of the House of Commons for the Horsham and Worthing division of West Sussex, presided and in the course of his speech, wittily compared points of similarity between China and Great Britain.

China Progress Praised

Earl Winterton declared that the China Committee of the House of Commons particularly were watching with pleasure the remarkable recovery China was making from the stresses and troubles of recent years.

Dr. Kung in reply expressed his pleasure at a Chinese delegate to the Coronation being entertained by representatives of the mother of Parliaments from whom China had so many useful lessons to learn.

Meanwhile, the City appears to be favourably impressed by China's reconstruction projects, which are

expected

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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

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expected to open up wide possibilities for industrial and economic development, in view of her recent recovery, politically and economically.

"The Times" to-day give prominence to the favourable balance in China's trade returns in January and February and also to the improvement in her railway revenues.--
Reuter.

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

32-1

TELEGRAM RECEIVED

NC

Special Gray

1-1236

FROM

Peiping Via N. R.

Dated June 16, 1937

Rec'd 12:50 p.m.

Secretary of State

Washington

172 June 16, 4 p.m.

COPIES SENT TO
O.N.I. AND M.I.D.

Division
FAR EASTERN AFFAIRS
JUN 17 1937
Department of State

Embassy's telegram 135 May 12, 10 p.m., despatch

1273 June 5, and telegram 170 June 10, 5 p.m.

One. Chinese press reports have been appearing since June 1 to the effect that uprisings against Japanese control in Chahar north of the Great Wall have been taking place.

Two. Although the reports appear to be exaggerated, it seems that there have been activities aimed against Japanese control. The Tokyo Foreign Office spokesman was reported in yesterday's press as having said on June 9 that it was feared that a quite unexpected incident might occur in Northern Chahar as a result of activities of irregulars and bandits, allegedly instigated by Chinese authorities. The First Secretary of the local Japanese Embassy stated this morning that agents of the National Government have instigated trouble in Northern Chahar which is being adequately dealt with by the authorities of that area and that the despatch of Japanese

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

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NC -2- #172 , June 16, 4 p.m. from Peiping

troops from Jehol is unnecessary.

Three. A fairly reliable Chinese source states that a Chinese, Li Ying, with three or four thousand men, recently seized territory near Kuyuan in Eastern Chahar and is attempting to obtain confirmation of his action from SuiYuan and Chahar authorities.

Four. If the so-called uprisings are sporadic and undirected, then they may be expected not (repeat not) to assume importance. If, however, they are directed by agents of the central or provincial authorities, they may lead to a serious situation in view of (a) the overconfidence of Chinese and (b) the impatience of elements of the Japanese Military with the present deadlock in Sino-Japanese relations and their dissatisfaction with the Chinese attitude.

Five. It seems unlikely at present that (a) the Chinese will attempt to recover control of Northern Chahar or (b) the Japanese military will attempt further westward expansion.

By mail to Tokyo.

JOHNSON

CSB

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

EDA

GRAY AND SPECIAL GRAY
TELEGRAM RECEIVED
 NANKING VIA N.R.

Dated June 20, 1937

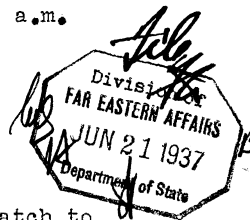
Received 7 a.m.

1-1336

FROM

Secretary of State
 Washington

COPIES SENT TO
 U.N.I. AND M.I.D.



239, June 20, 10 a.m.

Our 226, June 2, 9 a.m. and Swatow's despatch to
 Peiping No. 20, June 2.

One. An officer of the Embassy has been informed by an official of the Foreign Office that (one) negotiations are now proceeding at Canton, but settlement is delayed partly because of differences between the Chinese and Japanese versions and partly because of political considerations behind the incident; (two) agreement has been reached as to the time which elapsed between Aoyama's arrest and his (improperly delayed) release to the Japanese Consul, and the differences are chiefly (a) whether Aoyama attacked or was attacked by Chinese police, the Chinese contending that he struck a Chinese police officer in the street before his new residence; (b) whether the Japanese had given proper notice of Aoyama's change of residence, the Japanese claiming that the Consulate had notified the Municipal Government by telephone and the Chinese claiming that notification should have been made by Aoyama in person to the police.

(Two.)

793.94/3664

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

EDA - 2 - #239, June 20, 10 a.m. from Nanking

(Two) He said that the "political background" was as follows:

There were over 100 Japanese and Formosan ronin in Swatow engaged in smuggling and narcotics traffic. The former Chinese Chief of Police had not (repeat not) interfered with them and the present chief had been appointed to curb their activities and was attempting to do so, hence the Japanese demand arising from the Aoyama incident that the present chief be removed. Aoyama was formerly in the Special Service Corps of the Japanese army in North China and had been assigned to Swatow as a consular policeman to aid the ronin engaged in the narcotics trade and smuggling.

(Three). The trend of the official's remarks was pessimistic and he did not seem to feel that the negotiations were progressing satisfactorily toward a (*).

To Peiping, Tokyo, Swatow, Canton.

PECK

NPL:EMB

(*) Apparent omission

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

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Gray and Special Gray.

TELEGRAM RECEIVED Shanghai via N. R.

Dated June 22, 1937.

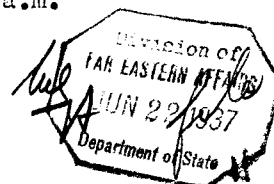
1-1336

Received 11 a.m.

FROM

Secretary of State,
Washington.

COPIES SENT TO
U.N.I. AND M.I.D.



300, June 22, 3 p.m.

At the request of the Japanese Consul General, the Chairman of the Joint Commission established by the 1932 agreement for the cessation of hostilities at Shanghai has called a meeting of the Commission for tomorrow afternoon.

The Japanese Consul General informed me this morning that he intends at this meeting to bring forward a rumor or report that the Chinese have fortified Woosung; also that they have greatly increased the number of the Peace Preservation Corps and supplied them with tanks and other equipment beyond ordinary rifles, pistols and machine guns and that they have dug trenches and constructed concrete dugouts in the evacuated area.

Upon being questioned by me as to whether the Japanese have made any representations to the Chinese authorities, the Japanese Consul General admitted that last November his predecessor saw the Mayor concerning the reported fortifying of Woosung and asked for facilities for an inspection. The Mayor is stated to have indicated his inability to give the permission desired.

The Japanese Consul General says that the Japanese navy

793.94/8665

E/FG

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

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JR #500, June 22, 3 p.m., from Shanghai via N. R.

navy has been pressing him for action to bring the situation before the Joint Commission and he feels that whatever may be Chinese attitude the representations should be made to the Commission and stand of record. He will probably ask for an investigation by the Joint Commission or its representatives including neutral observers. He declares that the Chinese members of the Commission, if they attend the meeting, will likely withhold consent to an inspection.

I will report (*) of the meeting at which I take no active part and reserve the American opinion if necessary.

Telegraphed to the Department and Peiping, to Hanking by mail.

GAUSS

CSB

0688

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

34-1

COPIES SENT TO
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JR

TELEGRAM RECEIVED

Shanghai via N R

Dated June 23, 1937

Rec'd 1:15 p.m.

1-1336

FROM

Secretary of State,
 Washington.

304, June 23, 7 p.m.

Reference my No. 300, June 22, 3 p.m.

At meeting of Joint Commission this afternoon the Japanese Consul General stated he had information that Chinese had fortified or were about to fortify Woosung forts, also that Peace Preservation Corps in "demilitarized zone" had been increased from 2,000 men to about 6,500 armed with tanks and other weapons approximating to regular troops. He considered these acts, if true, are to invoke 1932 truce agreement. Requested information from Chinese side and asked that Japanese be allowed to investigate, accompanied by neutral members.

Chinese delegate maintained that questions raised by Japanese do not come within provisions of 1932 agreement, objected to use of term "demilitarized zone" and declared fortification of Woosung whether true or not would not constitute violation of agreement or be matter for joint action.

Neutral members stated they were not in a position to express an opinion on the conflicting interpretations of 1932 agreement but inquired whether the Chinese delegate

without

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

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JR #304, June 23, 7 p.m., from Shanghai via N. R.

without prejudice to his stand and as a gesture of conciliation and good will was prepared to make any voluntary statement regarding Peace Preservation Corps and/or fortifications at Woosung. Chinese delegate replied that his authority as member of Joint Commission is limited and, therefore, he was unable to make even a voluntary statement without permission. Meeting then adjourned.

Full report follows by mail.

Sent to the Department and Peiping.

UNSIGNED

KLP:WMC

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

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DOCUMENT FILE
NOTE

SEE 893.00 P.R. Swatow/114 FOR 745

FROM Swatow (Ketcham) DATED May 6, 1937
TO NAME 1-1127 GPO

REGARDING: Sino-Japanese relations for the month of April, 1937,
Swatow Consular District.

FRG.

793.94/ 8667

8667

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

(c) Relations with Japan.

793.94
 Rumors were prevalent that the Japanese might seek to create an incident over the death of a Chinese or Formosan doctor, which occurred on April 4 at Ampoo (菴埠), a village about 10 miles from Swatow. The deceased, Dr. Ling Wen Feng, who was registered at the census office as a native of Jaoping (饒平縣), Kwangtung had lived and practised his profession of Chinese native doctor at Ampoo for several years, and was believed by all the residents to be a Chinese, so his remains were taken charge of by the village chief. However, on April 5, the Japanese Consulate informed the Mayor of Swatow that the man was a Formosan and requested his remains to be turned over to consular representatives, and it was shown that the deceased had Formosan papers.

The Chinese authorities refused to turn over the body to the Japanese Consulate, and a compromise was effected by the performance on April 8 of an autopsy on the body by Dr. Milne, a British doctor of the English Presbyterian Mission, with two Chinese and two Japanese doctors as witnesses. No wounds or traces of poison were found, and death was pronounced due to natural causes. The case is believed to be satisfactorily settled, and the Japanese Consul is understood to be satisfied. The presence in Swatow of a flotilla of seven Japanese destroyers, gave rise to rumors of impending trouble, but as the ships had arrived two days previous to the doctor's demise and left before

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Department of State letter, August 10, 1972
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the autopsy it is apparent that their visit at that time was purely fortuitous.

For several years the Japanese Osaka Shosen Kaisha steamship line has endeavored to obtain permission to build a wharf or pontoon in Swatow for their ships, which call here on the regular Hong Kong-Keelung service twice a week. Permission has been consistently refused by the municipal authorities, and the Japanese Consulate approached the municipality on this question again early in April. The Mayor informed the Consul that permission could not be granted by the municipality, but must be referred to the Provincial Bureau of Reconstruction at Canton. It is not expected that the Japanese will press the matter, but in any event it is understood that the municipality will resist any attempts to build a wharf here by Japanese interests.

Seven Japanese destroyers visited Swatow from April 2 to April 6. There were in command of Rear Admiral Wada on board the destroyer Kuretake. Admiral Wada called on the Mayor, who returned the call on the Admiral's ship. The visit was believed to be of a routine nature.

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DOCUMENT FILE

NOTE

SEE 893.00 P.R. Mukden/114 FOR #

FROM Mukden (Langdon) DATED May 8, 1937
TO NAME 1-1127 870

REGARDING: Kwantung Army forces in Manchuria being augmented.

FRG.

793.94/ 8668

8668

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

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II. FOREIGN RELATIONS:

A. Relations with Japan:

1. Japanese Military Forces Being Strengthened:

793.94
As previously reported* the Kwantung Army forces in Manchuria are being augmented. From a reliable source it was learned that two divisions were being transferred from Japan to Manchuria, probably to the Tsitsihar area.** During the past few days heavy troop movements northward through Mukden have been apparent.

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

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Tientsin/108 FOR Desp. #476

FROM Tientsin (Caldwell) DATED May 7, 1937.
/TP// NAME 1-1127 ...

REGARDING: Relations between China and Japan: Reports
developments in -, during past month.

fpg

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B. Relations with other countries.

1. Japan.

a. Nanking's Northern Policy.

793.94
(44-1-10)

(1) Wang Seeks Rendition. It was reported in the English language and vernacular press here, and among usually well-informed Chinese, that in his conversation with the Japanese Ambassador to China, Mr. Kawagoe, on April 7, Mr. Wang Chung-hui (王寵惠), the Minister for Foreign Affairs of the National Government, had indicated the intention of that Government to seek the rendition to Chinese control of the areas now ruled by the "East Hopei Anti-Communist Autonomous Government" and the Mongol and pro-"Manchukuo" irregulars in Northern Chahar.

(2) Rumors of a Chinese Initiative.(1)

(1) See also this Consulate General's despatch No. 455, dated April 16, 1937.

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The Hangchow Conference of the leading Chinese military commanders convened at the end of March under the chairmanship of General Chiang Kai-shek (蔣介石), and the gathering of national leaders which took place at the graveside of his brother gave rise to circumstantial allegations in the Japanese and Japanese-controlled Chinese language press in North China, and to wide-spread rumors among Chinese in Tientsin, to the effect that General Chiang intended to order the recovery of North Chahar and the re-establishment of Chinese police control over East Hopei, even at the risk of war with Japan. (2)

(3) Four Provinces to Co-operate.

Arriving in Taiyuan on April 2 for a conference on defense measures with General Yen Hsi-shan (閻錫山), General Fu Tso-i (傅作義), the Chairman of the Suiyuan Provincial Government, left within the week for Peiping, where he spent some ten days, presumably in conference with General Sung Che-yuan (宋哲元) and other leaders in the Hopei-Chahar Political Council. Thereafter he returned to Taiyuan for another conference with General Yen (at Hopients'un), whence he left at the end of the month for Kueisui.

On April 27 General Sung Che-yuan, accompanied by Brigadier General Liu Ju-ming (劉汝明), the Chairman of the Provincial Government of Chahar, went to Kalgan, ostensibly to inspect the provincial administration and review the troops under General Liu's command stationed there. One of the vernacular papers alleged, however, that his trip had no

other

(2) YUNG PAO, Tientsin, April 12 and 14, 1937.

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other purpose than to make certain arrangements in connection with the formation of the "Hopei-Shansi-Chahar-Suiyuan Four Province Joint Defense". (3) Such an hypothesis accords with the construction put on recent events by various observers, both Chinese and foreign, and would explain the Hangechow conference, General Fu's trip to Taiyuan, Peiping, and return, as well as General Sung's tour of inspection.

(4) Permanent Defenses for East Suiyuan. It is reported that, upon the recommendation of General T'ang En-po (湯恩伯), Commander of the 13th Central Army now stationed in East Suiyuan, permanent barracks and defense works are to be constructed outside of P'ingtich'uan, strategic town on the Peiping-Suiyuan Railway.

(5) Sha Wang to the Capital. Prince Sha (沙王), the Chairman of the Suiyuan Mongolian Political Council, visited Peiping and Nanking during the month, to report to the northern and Central Government authorities on the work of the Council. His reception in Nanking, where Wang Ching-wei (汪精衛) is reported to have called on him, appeared to indicate the desire of the Government to retain his full allegiance.

b. Preparations in North Chahar.

(1) Irregular Leaders go "East". Early in April General Li Shou-hsin (李守信), the pro-"Manchukuo" commander of the irregular forces in North Chahar, was reported to have returned from Tokio, and subsequently Prince Teh (德王), the

Chairman

(3) YUNG PAO, April 27, 1937.

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Chairman of the Inner Mongolian Autonomous Political Council, accompanied by Wu Hao-lin (吳鶴齡), a former Nanking Government official, and possibly by General Li, paid a visit by aeroplane to Ch'angch'un, there to confer with Japanese military leaders.

(2) Conference in Chapser. A conference of the irregular leaders is stated to have been held at Chapser some time between April 10 and 15, and to have decided (1) to launch an attack upon Hsingho in eastern Suiyuan from Tach'ingkuo and Man-haochan, and (2) to defend the six districts now held by the irregulars. (4)

(3) Visits of Japanese Military. A number of Japanese army officers were stated to have been present at the Chapser conference, and on April 19, Lieutenant Colonel Wachi, the Senior Staff Officer of the Japanese North China Garrison, was reported to have left Tientsin on his way to Changpei, one of the irregular strongholds in Chahar, to inspect the situation there. (5) Press and other reports indicated more constant travel between various points in Inner Mongolia on the part of Japanese military officers than has occurred at any time since the defeat of the irregular drive on Suiyuan in November of last year.

(4) Troop Movements. Toward the end of the month some 3,000 "Manchukuo" troops were reported to have arrived in North Chahar from Jehol, to garrison areas evacuated by General Li Shou-hsin's troops

(4) I SHIH PAO, April 16, 1937.
 (5) I SHIH PAO, April 20, 1937.

- 5 -

troops, who were moving south, and by those of Prince Teh, who were moving west.⁽⁶⁾ Heavy requisitions, especially for transport facilities, were alleged to have been made on the various Hsien governments under "irregular" control, and roads to the southern and western boundaries of the province were said to have been put in repair.

(5) Bandit Foray. A small band, allegedly of "irregular" troops, but more probably of bandits, is reported to have been encountered near Hunge-erht'u.

(6) Probable Objectives. It has been suggested that reports of renewed activity among the "irregulars" in North Chahar are being deliberately concocted, after the Japanese manner, by the Chinese to afford them a pretext for their mooted re-occupation of that territory. On the other hand, it is possible that the Japanese-directed "irregulars" do actually contemplate - and again without sufficient preparation - a renewed attack upon the borders of Suiyuan, although a course which proved disastrous in November would seem to have even less to commend it now. An American resident of Kuaisui, who speaks Mongolian, and who is on good terms with several ranking Chinese officials in Suiyuan, stated recently to an officer of this Consulate General that he did not believe, nor did he think that the Chinese authorities believed, that the "irregulars" any longer constituted a threat to the borders of Suiyuan. If this view

(6) I SHIH PAO, May 1, 1937.

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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is sound, it seems probable that the various preparations which it is reported are being made in North Chahar are directed at the second of the objectives allegedly agreed upon at the Chapser conference, that is, to hold the six haien of Chahar now controlled by the "irregulars" against a possible Chinese offensive.

c. East Hopei Moves for Maintenance.

(1) "Manchukuo"-East Hopei Exchange Envoys. A press despatch in the local English language press of April 5, copied from the MANCHURIAN DAILY NEWS of March 30, reports the assumption by "East Hopei's" representative to "Manchukuo" of his duties in "Hsinking", and the determination of the "Manchukuo" Government to reciprocate by deputing a representative to T'ungchow, the capital of the "East Hopei Government".

(2) Yin Pleads for Support. In an interview stated to have been granted Japanese Journalists in Peiping on April 17, Yin Ju-keng (殷汝耕), self-styled "Governor" of the "East Hopei Government", is quoted as having taken sharp issue with the suggestion of Mr. Kodama, recently head of the Japanese Economic Mission to China, to the authorities at Tokio, that they consider the abolition of the East Hopei Regime. "The East Hopei Government was not organized by Japan ... therefore it is meaningless for Japan to consider suggestions for its abolition ... It is hoped that Japan will reply that the question should be discussed direct with East Hopei Government in the event of a proposal from Nanking", he

is

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is quoted as having said. (7) While this statement is obviously a plea to Japan that she forego using him and his regime as a pawn in the forthcoming negotiations with China, it is probably also a left-handed hint to the Nanking Government that it should make him an offer direct.

(3) Mission to Japan. In a further effort to secure Japanese support, Ch'ih Tsung-mo (池宗墨), Chief Secretary of the "East Hopei Government", and three subordinate officials, were despatched to Japan during the month. There they saw Lieutenant General Itagaki and other Japanese military and civilian officials, and attended the "East Hopei Day" ceremonies at the Pan-Pacific Exposition at Nagoya, where a group of influential Japanese business men friendly to the East Hopei Regime conducted a publicity campaign in favor of its continued maintenance. A broadcast speech in Japanese by Yin Ju-keng in T'ungchow was a part of the program. (8)

(4) Chances of Success. At the close of the month an official of the Hopei-Chahar Political Council was quoted as having informed pressmen that the abolition of the East Hopei regime was essential to economic and political co-operation between the Council and Japan. With the Hopei-Chahar Political Council, the Nanking Government, and certain elements at least in Japan against the contin-

uence

(7) PEKING & TIENTSIN TIMES, April 20, 1937.

(8) NORTH CHINA STAR, April 23, and PEKING & TIENTSIN TIMES, April 26, 1937.

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
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uance of his regime, Yin's effort to maintain himself for an indefinite period would appear to have slight chance of success.

d. Affairs of the Hopei-Chahar Council.

(1) Officials tour Japan. (9) On April 23 General Chang Tzu-chung (張自忠), the Mayor of Tientsin, accompanied by sixteen subordinate officials, left Tientsin for Japan to tour that country. He had been preceded ten days earlier by Ch'en Chung-fu (陳中孚), until recently the Chairman of the Foreign Affairs Commission of the Hopei-Chahar Political Council, who had, according to Ch'en's own statement, been deputed to proceed to Japan to carry on a series of informal conversations with Japanese officials. General Chang went because he had been ordered to do so, but his mission is not known. It is interesting to note that during April the Hopei-Chahar Council, the "East Hopei Government", and the "irregular" leaders now in control of North Chahar, all had official representatives visiting Japan.

(2) Li Shih-hao to Shanghai. Li Shih-hao (李思浩), the Chairman of the Economic Commission of the Hopei-Chahar Political Council, after attending the funeral of General Chiang's brother, proceeded to Shanghai to discuss various economic problems of the Council with Shanghai business leaders.

(3)

(9) See also this Consulate General's despatches to the Embassy Nos. 454 and 460, dated April 15 and 24, 1937, respectively.

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(3) Sung Urges Co-operation.

General Sung Che-yuan found occasion during the month to issue another plea for Sino-Japanese economic co-operation on the basis of equality and reciprocity.

(4) Japanese Charge 'Phone Tampering. Representatives of the Japanese North China Garrison were reported to have protested to the Political Council against the alleged tampering by Chinese citizens with the Japanese Military telephone to Fengtai. It was asserted that considerable lengths of wire were being stolen. A report that in an effort to stop these depredations the Japanese military had themselves arrested several Chinese villagers was later denied.

(5) "Ts'anghsien Incident" Negotiations. A despatch addressed to the Hopei Provincial Government by the Japanese consular authorities requesting that the families of the Koreans who were killed in the "Ts'anghsien Incident" be allowed burial expenses, and that the seized motor truck be returned, was transmitted to the Hopei-Chahar Political Council for consideration. No settlement of the "incident" was reached during April.

(6) INDEPENDENT CRITIC resumes. Publication of Dr. Hu Shih's (胡適) "Tu Li P'ing Lun" - the INDEPENDENT CRITIC - was resumed during the month, the ban placed on it in December by the Hopei-Chahar Political Council having been lifted.

e. Other Developments Affecting Sino-Japanese Relations.

(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

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(1) Conference of Japanese Consular Police. The Japanese Consul General in Tientsin, Mr. Horiuchi, called a three-day conference of Consular police within his district on April 20, to discuss measures to curb the activities of undesirable elements among Japanese nationals in Hopei.

(2) Extension of Concession Denied. Consul Nishida, in a special press interview for the purpose, denied the report that 3,600 mou of land had been purchased at Pa Li T'ai in Tientsin for the extension of the Japanese Concession in this city. (10)

(3) Troop Maneuvers in Tientsin. Japanese troops in Tientsin were reported to have begun four days of maneuvers on April 25.

(4) Salt Field Seizure settled. (11) As a result of the protest lodged by the Ministry of Foreign Affairs of the Nanking Government, the piles erected around four of the salt fields at T'angku by Japanese military last October have been removed by them, closing the matter.

(5) Peiping Journalists Censured. The Shanghai Association of Chinese Journalists severely censured the action of a group of Peiping pressmen in embarking upon a tour of Japan. (12)

2. Russia.

1704
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

793.94

DOCUMENT FILE

NOTE

SEE 893.00 P.R./136 FOR #468

FROM China (Nanking) (Johnson) DATED May 15, 1937
TO NAME 1-1127 GPO

REGARDING: Sino-Japanese relations of the month of April, 1937: Summary of the more important-, grouped under headings of General; North China; The Southwest; Shanghai.

FRG.

793.94 / 8670

8670

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

B. Relations with other countries:

1. Japan:

a. General:

Continuing deadlock in Sino-Japanese relations:

The deadlock in Sino-Japanese relations continued, resulting in recall to Tokyo of the Japanese Ambassador; the question of a reorientation of policy toward China, on which possibility of breaking the deadlock seemed to depend, awaited among other things outcome of elections April 30 for a new Japanese Diet.

Divergence of views as to precedence of question and to fundamentals:

Immediate obstacles to progress were differences between Chinese and Japanese views in regard to the problems to be first considered, the Chinese insisting upon settlement of political questions prior to consideration of so-called economic collaboration. Back of this question more profound cleavages of view continued and may have been deepened by Chinese determination, as intimated to Mr. Kawaguchi during farewell calls upon Chinese officials,³

that

3. Embassy's (Nanking) telegram 184, April 28, 4 p.m.

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 (49 2-13)

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

- 3 -

that the East Hoped regime must be abolished and the smuggling of Japanese goods into North China suppressed as a condition to resumption of Sino-Japanese negotiations. It was this cleavage which increased the pessimism of Chinese who fear that peaceful solution of Sino-Japanese problems can not be reached and that military conflict is inevitable. There was, however, further evidence that some Japanese leaders believed it desirable to improve relations by at least partial solution of political questions without necessarily awaiting settlement of economic questions. Press reports of statements by the Japanese Ambassador before his departure April 28 and (in Japan) by Mr. Kenji Kodama, head of the Japanese economic mission, indicated that they might hold such a view. But Chinese doubted, as they had doubted following the March 8 statement of the Japanese Foreign Minister, whether men of liberal opinions could prevail upon reactionary Japanese who are influential in forming Japan's policy toward China.

Views of the Japanese Ambassador:⁴

Indication of the views of the more liberal Japanese was given April 15 and 24 by the Japanese Ambassador in interviews to the press which reported that he spoke of the need of a conciliatory and sympathetic attitude toward China, reconsideration by Japan of its policies in regard to China, mutual concessions, greater understanding and study of Chinese conditions by Japan. He indicated that he did not regard so unyieldingly as his more reactionary fellow-countrymen the Chinese attitude toward the question of solution of political and economic problems.

AS

4. Embassy's (Nanking) telegrams 167, April 19, 12 noon, and 179, April 24, 10 a.m.

- 4 -

As result of his comparatively liberal expressions of opinion, rumors arose that his departure for Japan April 23 would mark the end of his term as Ambassador to China because his views would not meet with the approval of reactionary Japanese. He himself denied any intention to resign.

Alarmist reports in the Japanese press:

Sections of the Japanese press continued to publish reports which were not designed to improve Sino-Japanese feeling as they alleged that China was preparing to fight Japan and was aligning itself with Soviet Russia and Great Britain, anti-Japanese feeling in China was increasing, certain Japanese military were urging adoption of a stronger China policy. The Chinese Government requested Japan to forbid Japanese newspapers from continuing to publish provocative reports about China.

Decline of Sino-Japanese incidents:⁵

No outstanding incidents occurred during April to mar significantly Sino-Japanese relations.

According to Japanese officials, Japanese representations of March 23, concerning search by Chinese soldiers of Japanese traveling on the Peiping-Suiyuan Railway, resulted in an apology April 6 by Mayor Chin Teh-shun of Peiping, a promise to punish those immediately responsible, a further promise that similar incidents would not occur again. The settlement received no publicity in China allegedly because General Chin requested that it receive none, presumably to avoid arousing Chinese ill-feeling.

Japanese military were reported to have protested to

Chinese

5. Embassy's (Peiping) telegram 131, April 15, 4 p.m.

- 5 -

Chinese authorities because of the cutting and stealing April 7 of Japanese military telephone wires near Tientsin, which the Japanese alleged was done by Chinese. As in the case of the searching of Japanese on the Peiping-Suiyuan Railway, Japanese protest was made only after the offense had occurred several times. The case did not become one of importance.

Transfer of Japanese-held silver to Chinese Government:

Following announcement March 31 that Shanghai Japanese banks had arranged to transfer to the Central Bank of China their silver holdings of about C\$9,000,000,⁷ it was reported in April that the Bank of Taiwan at Canton, Foochow, Amoy, Hankow made similar arrangements. Complete figures were not available but it was believed that the total Japanese holdings in the places named did not exceed C\$1,500,000.⁶

Reported establishment of special economic bureau in Japanese Embassy:

Press reports during the month indicated that the Japanese Government is planning establishment of a special economic bureau in its Embassy to China for the purpose of investigating economic and financial matters in this country. Reportedly the bureau will function in the Embassy's Shanghai office under the direct charge of the newly appointed Consul General who has also been designated Counselor of Embassy.

Expansion of Japanese Embassy personnel and increased coordination with consular offices:

Japanese Embassy personnel was expanded and coordination with the Shanghai Consulate General increased by appointment of the Shanghai Consul General to act

concurrently

-
6. Embassy's monthly political review for March; Canton's Foochow's, Amoy's, Hankow's monthly review for April.
7. Shanghai's monthly political review for April; press reports.

- 6 -

concurrently as Counselor in addition to the two Counselors at Nanking and Peiping, respectively. According to the Japanese Embassy, a newly arrived Second Secretary at Nanking is also Acting Consul General here, two Secretaries at Shanghai act also as Consuls; a Third Secretary at Nanking is also Consul, a Secretary Interpreter is Vice Consul; at Tientsin one Consul is designated also Third Secretary. The Japanese Embassy states that the Consulate General at Nanking functions "only on paper".

b. North China:

General Sung Che-yuan's ambiguous attitude:⁸

Importance of his attitude:

Some uneasiness was created as the month progressed by seeming ambiguity in the attitude of General Sun Che-yuan, Chairman of the Hopei-Chahar Political Council, toward the problem of how to solve Sino-Japanese political and economic questions. That his attitude would be of importance was evident in that most of the questions concern Hopei and Chahar more than other provinces. For example, among political problems are the return of Hopei and Chahar areas alienated by Japanese from Chinese control, abolition of smuggling through East Hopei, withdrawal of Japanese special military organs from various cities; economic questions receiving most publicity are construction of a railway across Hopei and development of iron mines in Chahar.

Visits to Japan of General Sung's subordinates:

A group of officials of the Hopei-Chahar Political Council sailed April 8 for Japan, accompanied by an employee

8. Embassy's (Peiping) telegrams 126, April 23, 4 p.m. and 128, April 23, 3 p.m. Tientsin's despatch to Embassy 460, April 24.

- 7 -

employee of the South Manchuria Railway and two Japanese advisers of the Council, and a group of Chinese newspaper men of Hopei left for Japan overland at about the same time. Later Chen Chung-fu also went to Japan; that he had been until early this year Chairman of the Foreign Affairs Committee of the Council and had in past acted as a negotiator for General Sung in dealing with Japanese created suspicion that he had gone on some special mission for General Sung. Chen was followed April 23 by General Chang Tzu-chung, Mayor of Tientsin and one of Sung's divisional commanders, together with 16 civil, military, and business leaders, accompanied by one of the three Japanese military advisers of Sung's army.

Possible reasons for the visits:

One plausible report was that Sung intended to negotiate directly for return to his control of East Hopei because he feared that the Japanese Ambassador might effect a change in the status of that regime (Kawagoe left China for Japan April 28), in which case credit would redound to the National Government and Sung's position would be weakened. A simpler and perhaps more convincing reason for some of these visits was that the Japanese brought pressure to bear to effect them, for the purpose of showing the world a false degree of intimacy between Sung's regime and Japan and of impressing Chinese leaders in North China with the disparity between the military preparedness and industrial efficiency of Japan and of North China. Reliable informants stated that the Japanese had pressed Sung to visit Japan and he had compromised by ordering his subordinate, Chang Tzu-chung, to go.

General

- 8 -

General Sung's press statement:

A statement made April 28 by Sung to Japanese pressmen that, unlike the National Government, he was determined to settle economic questions regardless of political questions, seemed to be evidence of growing division between Sung and the National Government. Its significance was lessened, however, by the statement of a Japanese that, when Sung was approached April 26 by a Japanese official on questions of economic cooperation, Sung was evasive and non-committal.

Attitude of the National Government:

Meanwhile the National Government continued to indicate that it regarded itself as maintaining control in Sung's area by the despatch of various officials to Hopei Province on what seemed to be routine business.⁹ The arrival at Peiping from Nanking April 29 of two former Kuomintang leaders, formerly senior to General Sung, might have been interpreted, however, somewhat differently. If the National Government felt a rift growing between it and Sung, the despatch of these two generals, Shih Ching-ting and Lu Chung-lin, for the purpose of bringing Sung into realignment would not have been regarded as surprising in view of their former association with Sung when the Kuomintang was a powerful organization. (Shih Ching-ting was forced to resign April 30, 1936 from the post of Chief Counselor of the Hopei-Chahar Pacification Headquarters as the result of machinations of pro-Japanese civilians in Sung's regime.)

The income tax in Hopei and Chahar:

Indication of satisfactory relationship between

General Sung

9. Embassy's (Peiping) telegram 110, April 6, 7 p.m., paragraph 4.

- 9 -

General Sung and the National Government was (1) establishment at Tientsin April 1 of an office for collection of income tax in Hopei and Chahar, (2) issuance by the Hopei-Chahar Political Council of orders that the tax should be collected from April 1.

Economic cooperation:

Except for the placing by the Tsingtao-Tsinan Railway with the South Manchurian Railway of orders for 7 locomotives and 300 freight cars,¹⁰ no concrete developments took place during April in Sino-Japanese economic cooperation in North China, although Japanese hoped that Lieutenant Colonel Sumihisa Ikeda, "economic expert" of the Japanese North China Garrison visiting Japan, would succeed in his alleged intention of obtaining money from Japanese financiers to construct across Hopei Province the proposed Shihkiachwang-Tientsin railway. Chinese opposition to Japanese financial participation in the construction of such a railway continued.

Smuggling in North China:¹¹ death penalty¹² for those assisting foreigners in smuggling:

There appeared no important change in amount of goods smuggled into Hopei during April. Preliminary statistics of arrivals at Tientsin by railway from the northeast of Tientsin indicated increase in sugar, kerosene, piece goods and decrease in artificial silk yarn, sundries.

It was understood that negotiations to obtain registration of smuggled goods in Tientsin proceeded satisfactorily and there was possibility that the Customs Preventive Service might operate in Tientsin East Railway

Station.

10. Tsingtao's monthly political review for April.

11. Tientsin's weekly despatches on smuggling.

12. Embassy's (Peiping) telegram 113, April 8, 12 noon.

- 10 -

Station. As result of this possibility however, smuggled goods were reported as being carried in quantity by motor trucks from north of Tientsin westward to Tungehow and Peiping. Chinese authorities in Peiping stated to the press early in April that the National Government had ordered imposition of the death penalty upon those assisting foreigners in smuggling. This statement received considerable publicity. The order was not new, however, having been issued in June 1936. The press statement may have had as purpose the frightening of Chinese smugglers or was perhaps indication of the more cooperative attitude of Hopei authorities during March and April in suppression of smuggling. So far as known, no one has yet been punished under this order.

In Tsinan, cooperation by Chinese authorities with Customs officers prevented large scale importations of smuggled goods and Chinese merchants opened negotiations for release of previously imported smuggled goods upon payment of part duty.¹³ Continued smuggling of copper coins out of Tsingtao was reported.¹⁴

Exchange of diplomatic offices by "Manchukuo"
and the East Hopei regime:

Following presentation March 30 by one Chiang Tien-teh¹⁵ of "credentials" as "Special Diplomatic Delegate to 'Manchukuo' from the 'East Hopei Anti-Communist Autonomous Government'", it was reported that "Manchukuo" would send a similar official to Tungehow, "capital" of the East Hopei regime, but no information regarding the latter's arrival was received during April. The Consulate General at Mukden reported that such exchange, following last

year's

13. Tsinan's monthly political review for April.

14. Tsingtao's monthly political review for April.

15. Mukden's monthly political review for March.

- 11 -

year's visits of goodwill envoys, was stated by the Manchurian press not to involve recognition; the most plausible explanation was that the Kwantung Army desired to substantiate with a diplomatic gesture its contention that East Hopei is autonomous.

East Hopei's objection to its own abolition:¹⁶

Apprehension arising from publicity given to the possibility of abolishing the East Hopei regime was apparently the cause of the departure for Japan April 18 of its Secretary General, Chih Tsung-mo, allegedly its most influential Chinese, and departure the following day of some 30 of his colleagues. On the day of Chih's departure, Yin Ju-keng, the "Governor" of East Hopei, issued a press statement in which, referring to Kodama's alleged inclination to have the regime abolished, he expressed strong opposition to such a move. It was not known whether the activities of these Chinese puppets originated among themselves or with those Japanese military officers who are understood to direct the affairs of Yin Ju-keng and his subordinates.

Participation of East Hopei in the Nagoya Exhibition:

Another object of the visits to Japan of East Hopei officials referred to above may have been attendance at an exhibition at Nagoya, in which East Hopei participated and during which an "East Hopei Day" was celebrated by the broadcasting by Japanese Government radio stations of a speech made in Japanese by Yin Ju-keng, by the flying by street-cars and busses of East Hopei flags, and by the publishing by the Japanese press of East Hopei propaganda.

According

16. Embassy's (Peiping) telegram 126, April 23, 4 p.m.

- 12 -

According to Chinese press reports, the National Government protested to Japan against these activities.

c. The Southwest:

Continuing unsatisfactory Japanese relations:¹⁷

Bitter press hostility to Japan in Kwangtung and Kwangsi showed no abatement during April. In addition to continued editorial attacks upon the Japanese in connection with outstanding questions, Japan was accused of planning military and economic use of Hainan, seeking to prevent China from effecting with British, American and French cooperation its military and economic development program for the island, attempting to stir up subversive movements on the island, secretly sending Japanese consular officers there. So great was the apparent hostility in Kwangsi toward Japanese that the Canton Japanese Consul General expressed himself as fearing to visit that province. Seizures of Japanese goods at places in Kwangsi reportedly continued; the remaining Japanese resident of Kwangsi was deported on charges of espionage despite strong Japanese consular protests.

d. Shanghai:¹⁸

Reduction of Japanese sentry posts and patrols in Hongkew:

Indication of a more moderate attitude by Japanese naval authorities in Shanghai was seen in reduction of Japanese sentry posts and patrols in Hongkew and, reportedly, issuance of instructions regulating maneuvers of the Japanese naval landing party so as to lessen the inconvenience hitherto caused local residents by such maneuvers.

Summary:

17. Canton's monthly political review for April.

18. Shanghai's monthly political review for April.

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

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Smuggling; attack on Customs officials by Japanese
and Korean ronin; outward smuggling of copper coins:

Two Chinese Customs officers were attacked April 23
by Japanese and Korean ronin as result of a seizure of
smuggled artificial silk and wine on a Japanese merchant
vessel.¹⁹ Outward smuggling of copper coins continued,
one lot of 90,000 coins being seized April 6 on a Japanese
freighter.²⁰

0719

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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

July 12, 1937.

~~MEMO~~
~~TO~~
~~FROM~~
~~MMH~~

Tientsin's No. 485, June 2, 1937, entitled "Attack on Japanese Experimental Farm South of Tientsin."

Japanese interests established on land purchased south of Tientsin an experimental farm. At about 1 a.m. June 2 the farm was raided, the houses on it burned, and two water pumps over-turned. The twelve Japanese occupants of the houses escaped without injury. It is suspected that probably as many as ten Chinese were responsible for the damage done.

An official investigation showed that it is the opinion of some that the attack on the farm was the culmination of an agitation which continued for over a month against the leasing of land to Japanese.

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

NO. 485

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

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AMERICAN CONSULATE GENERAL

Tientsin, China, June 2, 1937.

SUBJECT: Attack on Japanese Experimental Farm
South of Tientsin.

79394

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Beiping.

Card. One - Ind. 9.

Division of
AN EASTERN AFFAIR
JUN 29 1937
Department of State

Sir:

I have the honor to refer to this Consulate
General's political reviews for the months of Septem-
ber and October, 1936, stating inter alia that Japan-
ese interests had purchased land south of Tientsin on
which to establish an experimental farm, and to re-
port that, according to information just given to an
officer of this Consulate General who visited the
farm, at about one o'clock this morning it was raided
the houses on it burnt and its two water-pumps over-
turned.

JUL 15 1937

FILED

A Japanese on the premises who described himself
as being one of twelve members of the society which
owns the land stated that this morning at about one
o'clock, before the moon had come out, and when the
farm was in pitch darkness, the watchman, who was at
the southern limit of the 300 mou which comprise the
farm,

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F/HG

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farm, noticed that the crude brick structure in which the society kept its farming implements and kerosene was aflame.

He saw no one, "not even a shadow", and as he started north toward the fire, the house in which the Japanese "Captain" of the society and his wife lived burst into flame, followed by the house a few feet south of it in which the twelve Japanese members were sleeping. The narrator said that he himself was in the latter house, and pointed out the place at which the fire had apparently started. Awakened by the watchman, the occupants of the houses escaped without injury. The roof of the "Captain's" little one-room house had been burned off, but no serious damage seemed to have been done to the dug-out and brick-roofed shelter which served the twelve members of the society as their sleeping quarters. A cursory view of the houses indicated that the fires had been set by piling kerosene-soaked straw against the walls and igniting it.

The Japanese who gave this account of the affair stated that the two gasoline-motor water pumps for irrigating the farm had been overturned, one of them being thrown down in the irrigation ditch.

A second Japanese, apparently also a member of the group farming the land, came forward to say that probably as many as ten Chinese had taken part in the "raid" on the farm. The first informant declined to say that the incendiaries were Chinese; he stated that no one had seen anyone at all on the property; that

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

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that all that was visible to him when he rushed out of his burning dugout was the flame from the tool-house, the oil stored in it having ignited.

Asked if there had been any fighting (there were rumors in Tientsin this morning that there had been rioting on the farm), the informant answered that there had been none.

The "Captain" of the group was in Tientsin today reporting the incident, and two Japanese Consular officials visited the spot this morning to investigate. Chinese officials also appeared, and this afternoon at five-thirty two Chinese police officials and two policemen proceeded to the farm to stand guard against a repetition of the raid.

The farm is located about three miles south of Tientsin, just across the old tracks of the Tain-Pu line, and south-east of the Tientsin Race Club's track. The society which runs it is called the Sainted (or Sacred or Holy) Farming Garden - the Sheng Hung Yuan (聖農園), and its members are allegedly dedicated to teaching scientific agriculture to the Chinese. A Chinese farmer near the Sacred Farm Garden stated that the land which the Society is attempting to farm is so alkaline that nothing could be grown on it in any case.

The attack on the farm is the culmination of an agitation which has continued for over a month against the leasing of land to Japanese. The TA KUNG PAO of May 3 reported that in order to prevent foreigners (this is taken to mean Japanese) from acquiring land

by

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

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by purchase or mortgage under Chinese names, the Hebei Provincial Government had ordered an investigation of all pending land transfers, and had instructed that a special stamp be made reading "Leases of property purchased or acquired by mortgage by foreigners under false Chinese personal, family, or other names shall be invalid". Subsequently an official of the Municipal Government suspected of complicity in such transfers was put under detention, and at the close of the month the Chinese alleged to have effected the transfer of the property now occupied by the Sacred Farming Garden to that organization was arrested.

It was also reported on May 21 that General Sung Che-yuan (宋哲元), the Chairman of the Hebei-Chahar Political Council, had the day previously issued an order making any Chinese guilty of the illegal transfer of land to foreigners liable to the death penalty. Two police officers of the Tientsin Hsien Government, questioned on this point today, stated that they had not seen such an order, and they did not believe that it had been issued. (The Sacred Farming Garden is situated within the area controlled by the Tientsin Hsien Government).

Some observers in Tientsin believe that much of the present agitation in and around Tientsin began as a part of the movement now on foot among certain officials of the Hebei-Chahar Political Council to oust Ch'en Ch'eh-sheng (陳覺生), the Managing Director of the Peiping Railway, who, it will be recalled, was responsible

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

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responsible for the transfer from its former owners to the Japanese North China Garrison of the land on which that Garrison erected its new barracks beyond the International Race Track, and who is said to have engineered various other large-scale land transfers to Japanese around Tientsin. Partially on account of these activities, Chen was impeached during May by the Control Yuan of the National Government, but so far no steps have been taken actually to relieve him of his several responsible posts.

Respectfully yours,

J. L. Caldwell,
American Consul General.

800
REWM

Original to Embassy, Peiping.
Copy to Embassy, Nanking.
Five copies to Department without
covering despatch.

.....
A true copy of
the signed origi-
nal
.....

0725

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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

July 12, 1937.

~~MSW~~
~~JCV~~
~~MMH~~
~~TUB~~

Peiping's No. 1267, June 4, 1937, and
Swatow's No. 29, May 28, 1937, entitled
"Detention of a Japanese Consular Policeman
at Swatow".

According to the Chief of Police at Swatow, on May 22 a Chinese policeman on patrol duty saw a Japanese consular policeman in the act of moving his belongings to a new residence and inquired of the Japanese whether he had reported moving in accordance with local regulations. The Japanese replied that he received his instructions from the Japanese Consulate and did not have to report. On the Chinese policeman's insistence the Japanese became abusive and struck the policeman on the head. A Chinese sub-inspector came up at this time and also was attacked. On arrival of reinforcements the Japanese was taken to a sub-police station. Shortly after arrival at the station a group of Japanese and Formosans assembled, demanded the release of the Japanese, and threatened to rush the station. They were persuaded to depart without carrying out their threat and proceeded to police headquarters where they demanded to see the Chief of Police who was absent. When the Chief of Police returned at about 5 p.m. the Japanese prisoner was transferred under armed escort from the sub-station to police headquarters. Meanwhile, the Japanese Consul had telephoned requesting the release of the prisoner.

0726

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

-2-

oner, but this was refused until investigations had been made, and it was not until 9:40 p.m. that the Japanese prisoner was turned over to the Consul who came in person to the Mayor's office to receive him.

A Japanese version of the story denies that the Japanese consular policeman struck the Chinese police and alleges that representatives of the Japanese Consulate were denied access to the prisoner. The Japanese Consul at Swatow took a serious view of the incident and summoned three Japanese destroyers and one cruiser. It is understood that the Japanese Consul General at Canton has taken up the matter with the Provincial authorities and that an apology and dismissal of the Chief of Police and several of his subordinates will be demanded. The American Consul at Swatow was informed that the Japanese authorities there are hopeful of settling the matter locally.

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



EMBASSY OF THE
UNITED STATES OF AMERICA

No. **1267**

Peiping, June 4, 1937.

Subject: Detention of a Japanese Consular
Policeman at Swatow.

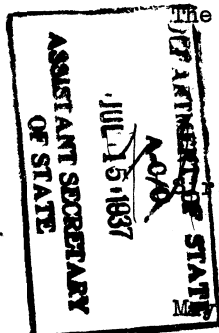
For Distribution-Check		Yes	No
Grade	To file	✓	
For	In U.S.A.	✓	
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1937 JUN 28 PM 2 34

DIVISION OF
COMMUNICATIONS
AND RECORDS



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



793.94/8672

I have the honor to refer to telegram No. 225 of
31, 10 a.m., addressed to the Department by the
Embassy at Nanking and repeating the telegram of May
30, 9 p.m., from the Consulate at Swatow, in which was
reported the arrest and detention for nine hours on May
22 at Swatow of a Japanese consular policeman by Chinese
police.

There is enclosed a copy of despatch No. 29 of
May 28, 1937, addressed to the Embassy by the Consulate

at

F/EG

0728

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

- 2 -

at Swatow, which summarizes the incident.

I
Respectfully yours,



Nelson Trusler Johnson

✓
Enclosure:

Swatow's despatch No. 29,
May 28, 1937.

Original and 4 copies to Department.
Copy to Embassy, Tokyo.
Copy to Embassy, Nanking.

710

LES-SC

0725

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

No. 29

ENCLOSURE No. 1267
TO DESPATCH NO.

AMERICAN CONSULATE,

Swatow, China, May 28, 1937.

Subject: Retention of Japanese Consular Policeman at Swatow.

The Honorable

Nelson Trusier Johnson,
American Ambassador,
Peking.

Sir:-

I have the honor to report the arrest and detention for some hours, on May 28, 1937 of a Japanese consular policeman by the Swatow municipal police, which has received considerable publicity in the local vernacular press and in the Hong Kong South China Morning Post.

According to Mr. Y. D. Mark, the Municipal Councillor of Swatow and the Chief of Police, Mr. Chin Han-kwan, a policeman on patrol duty noticed a Japanese moving his belongings into premises at No. 5 Yong Ling Road, near the Bank of Taiwan, at about 1.00 P.M. on May 28. The policeman asked the Japanese if he had reported moving his residence in accordance with local regulations, and was informed that the Japanese received his instructions from the Japanese Consulate and did not have to report. On the policeman's insistence the Japanese became abusive and struck the policeman on the head. A sub-inspector of police, seeing the row, came up and was in turn attacked. Reinforcements were then summoned and the man was finally subdued and taken to sub-station No. 2.

Shortly after the arrival of the Japanese at the police station, a group of about 10 Japanese and Formosans arrived

at

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

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at the station, demanding his release and threatened to rush the station.

Two policemen on guard persuaded the group to depart, whereupon they withdrew to police headquarters and demanded to see the chief of police, who was absent attending the funeral of one of his police officers. They used strong language to the inspector in charge but created no other disturbance. The chief of police returned to headquarters about 1.00 P.M. and the prisoner was then taken from the sub-station to police headquarters. A crowd of about 20 Formosans and Japanese had formed in the street along the route of travel between the two stations, but created no disturbance, as two cars with armed policemen escorted the prisoner and thirty policemen returning from the funeral were sufficient to preserve order. Meanwhile the Japanese Consul had been telephoning requesting the release of the man, but this was refused until investigations had been made, and it was not until 2.40 P.M. that the prisoner was turned over to the Consul who came in person to the Mayor's office to receive him.

According to Mr. Yamasaki, the Japanese Consul, his consular policeman, Mr. S. Oyama had reported his intended change of residence the previous day, and was engaged in moving his belongings to his new home, situated on the third floor over a Japanese shop, when several Chinese policemen came into the shop and forcibly took him to the police station for questioning regarding his permit to move. Mr. Yamasaki denied that his consular policeman attacked any Chinese patrolman. The man was held for about nine hours, and access to the prisoner was denied representatives of the Consulate. The ten Japanese and Formosans, who appeared at the sub-police station

according

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

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accord to the Chinese version, were in reality only five, all members of the Japanese consular police and staff of the Consulate, who were sent by the Consul to negotiate for Mr. Oyama's release, and were instructed not to threaten or attempt to use force.

The truth of the affair probably is somewhere between these two versions, but it is a fact that a member of the Japanese Consulate was held in jail by Chinese police for nine hours, in spite of representations by the Consul. It is also true that Japanese in Swatow have experienced difficulty in leasing suitable quarters for living and for business.

Mr. Yamasaki took a serious view of the situation and summoned destroyers from Yako, Pescadorez, three of which arrived on May 24, followed by the arrival of the cruiser Yubari with Admiral Okuma on board on May 26.

It is understood that the Japanese Consul General at Canton has taken up the matter with the Chairman of the Provincial Government, and unofficially it is reported that the Japanese will demand an apology and the dismissal of the chief of police and two or three other subordinate officers.

Mayor Huang Peng-hing of Swatow, who had been absent in Canton since May 8, returned on May 27, and had a long conference with the Japanese Consul regarding the facts in the case the same day. A Colonel Xu, of the Fourth Route (Kwangtung) Army arrived from Canton by military plane on May 27, and Mr. Ling, Secretary of the Special Delegate for Foreign Affairs of Kwangtung and Kwangsi, and a Vice Consul attached to the Japanese Consulate General in Canton have also come to Swatow in connection with this case.

Mr.

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 Department of State letter, August 10, 1972
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Mr. Yamashita informed me that he is hopeful of settling the matter locally with the municipal authorities, although it may have to be negotiated through Denton. No sailors have landed from the four ships in the harbor, the local populace is taking a calm view of the whole affair, and newspaper reports that a state of nervous tension exists in Denton and that martial law has been declared are untrue.

Respectfully yours,

John F. Hetcham,
 American Consul.

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Original and 3 copies to
 Embassy, Beijing.
 Copy to Embassy, Hankow.
 Copy to Consulate General, Denton.

copy

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

July 12, 1937.

~~MEMO~~
~~TO: SEC. OF STATE~~
~~FROM: DIV. OF FAR EASTERN AFFAIRS~~
~~DATE: JUL 12 1937~~
~~SUBJECT: PEIPING'S NO. 1260, JUNE 3, 1937, TSINGTAO'S NO. 189, MAY 20, NO. 191, MAY 21, NO. 132, MAY 24, NO. 194, MAY 27, AND NO. 195, MAY 28, 1937, ENTITLED "GARRISONING OF CHINESE TROOPS IN THE VICINITY OF TSINGTAO."~~

Peiping's No. 1260, June 3, 1937, Tsingtao's No. 189, May 20, No. 191, May 21, No. 132, May 24, No. 194, May 27, and No. 195, May 28, 1937, entitled "Garrisoning of Chinese Troops in the Vicinity of Tsingtao."

About the middle of May the National Government despatched from Haichow some 4,500 Salt Revenue Guards (regular Chinese Army troops) to a district near Tsingtao where no Chinese troops had been stationed since 1922.

The announced object of this move was to augment the old Salt Revenue Guards stationed near Tsingtao by the Ministry of Finance to prevent salt smuggling - there having been a recent increase in the salt tax and a corresponding increase in salt smuggling.

At first the Japanese press and officials vigorously opposed the presence of these new Guards near Tsingtao on the grounds that they threatened Japanese special position in that area and ill-treated Chinese and Japanese nationals. By May 27, Japanese opposition had subsided, the Chinese officials having given assurances that the Guards would not enter the Tsingtao municipal area.

Reports

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

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Reports conflict as to whether the Mayor of Tsingtao and the Provincial Chairman, General Han Fu-chu, resent the presence of such a large number of Central Government troops in their respective jurisdictions, and it has been stated that these Guards, being in excess of the number required to prevent smuggling, were sent to Tsingtao for the purpose of strengthening General Chiang Kai-shek's control over the Tsingtao area. The Embassy believes that if the Tsinan Consul's version of the matter is correct the troops were sent to strengthen Chinese national influence in the Tsingtao area as opposed to the Japanese influence there.

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



No. 1260

EMBASSY OF THE
UNITED STATES OF AMERICA

Peiping, June 3, 1937.

Subject: Garrisoning of Chinese Troops in
the Vicinity of Tsingtao.

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DIVISION OF
COMMUNICATIONS
AND RECORDS

CONFIDENTIAL

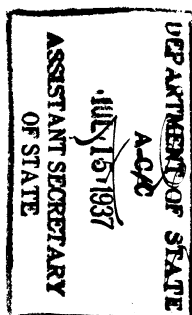
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	<u>and - M.I.D.</u>		

The Honorable

The Secretary of State,
Washington, D. C.



Sir:

I have the honor to refer to the telegram of May 20, 5 p.m., despatched to the Department by the Consulate at Tsingtao, with regard to Japanese opposition to the garrisoning of troops of the National Government in the vicinity of Tsingtao, and to summarize information contained in the enclosed copies of despatches Nos. 1-5/ 189 of May 20, 191 of May 21, 193 of May 24, 194 of May 27, and 195 of May 28, addressed to the Embassy by the Consulate at Tsingtao, on the same subject. This information is supplemented by information supplied by the Consul at Tsinan.

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The recent despatch by the National Government of some 4,500 troops (3,500 according to an informant of the Consul at Tsinan) to the vicinity of Tsingtao brought forth in the Japanese press highly alarming reports and emphatic disapproval. These Japanese reports described the move as anti-Japanese, alleged that the troops were committing depredations against Japanese and Chinese nationals, and claimed that the move infringed a Sino-Japanese agreement of 1922 under which Chinese troops were not to be stationed in that area. (An official of the Japanese Consulate General at Tsingtao admitted to Mr. Sokobin that no such agreement exists. The basis for the claim of the Japanese press in respect to the alleged agreement is given on page 2 of Tsingtao's enclosed despatch No. 189 of May 20.) Mr. Sokobin reports that Japanese accounts of depredations are gross exaggerations.

The presence of the troops in the vicinity of Tsingtao helped to strengthen rumors that the National Government is intending to increase its control over the northern provinces, allegations being made that the despatch of the troops was intended to effect the removal of Admiral Shen Hung-lieh, the Mayor of Tsingtao, and to curtail the powers of the provincial chairman, General Han Fu-chu.

Ostensibly the reason for the National Government's despatch of these troops was to augment the Salt Revenue Guards so that the smuggling of salt could the more effectively be reduced, smuggling having increased as a

result

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result of the recent institution of a higher salt tax. According to some reports, however, only a part of the new troops actually belonged to the revenue guards of the Ministry of Finance, it being alleged that a considerable part of them were regular army troops.

Confidential

The most reasonable explanation of the reasons behind the despatch of the troops was given in confidence to the Consul at Tsinan by an official of the Salt Administration. This official stated that the despatch of the "Salt Guards" had grown out of the visit to Nan-king last winter of the Mayor of Tsingtao, following the landing at Tsingtao of Japanese marines; that the Mayor had informed Generalissimo Chiang Kai-shek that he wished to resign as he was afraid to carry on with only Chinese police and marines for his protection; that the Generalissimo assured him that he would be taken care of; that preparations were subsequently made, including consultation with General Han Fu-chu; that Salt Guards, numbering 3,500, had been sent, together with anti-aircraft guns, trench mortars, and other equipment; that it had been announced that the guards had been sent only to assist in collecting the tax; that 3,500 men and so much equipment were not needed, of course, for that purpose; and that, in order to avoid comment, the force had undertaken a 15 day march from Suchowfu, via Haichow, to its destination instead of proceeding by train.

If this account, which the Consul at Tsinan states he has no reason to doubt, is correct, it would seem that

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the despatch of the troops is not for the purpose of curtailing the powers of either General Han Fu-chu or Admiral Shen, but for the purpose of strengthening Chinese influence in the Tsingtao area as opposed to Japanese influence.

Mr. Sokobin reports, however, in despatch No. 195 of May 28 that the factors behind the presence of the troops are, in his opinion, (1) the ever-changing political and military situation, requiring a nation-wide redistribution and disposition of troops, (2) the desire of the National Government to extend its influence in Shantung, as well as to control the activities of General Han Fu-chu and Admiral Shen Hung-lieh, and (3) the legitimate and natural desire to protect the salt revenue which has become endangered by the great extension of motor roads.

Although, according to the press, the Japanese authorities had lodged a protest with the Chinese authorities against the presence of these troops in the vicinity of Tsingtao, no change in the situation seems to have taken place other than a decline in alarmist reports in the Japanese press. This improvement may have been due to (1) tactfulness on the part of the Commander of the troops, Colonel Ch'iu Chih-chi, which, in turn, may have been the result of advice allegedly given to him by General Chiang Tso-pin, the Minister of the Interior, who recently visited Tsingtao, and (2) a press report of a statement attributed to Major Yahagi, Japanese officer resident at Tsingtao, expressing satisfaction

that

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that the Chinese troops had not entered Tsingtao as the result of Japanese opposition.

Mr. Sokobin reported in despatch No. 193 of May 24 that the Commander of the Chinese force, Colonel Ch'iu Chih-chi, accompanied by the Director of the Tsingtao Salt Field Bureau, Mr. K. T. Woo, had called on him on May 24 for the alleged purpose of banishing any misapprehensions which might exist among other than Japanese residents.

It may be added that the affair of the despatch of National Government forces to the vicinity of Tsingtao gains significance from the fact that it is only one of a number of recent developments which the Japanese interpret as a stiffening of the Chinese attitude toward Japan.

Respectfully yours,

4 Carbon Copies
Received 2-11-75

Nelson Trusler Johnson

Nelson Trusler Johnson

Enclosures:

1. Tsingtao's despatch
No. 189, May 20, 1937.
2. Tsingtao's despatch
No. 191, May 21, 1937.
3. Tsingtao's despatch
No. 193, May 24, 1937.
4. Tsingtao's despatch
No. 194, May 27, 1937.
5. Tsingtao's despatch
No. 195, May 28, 1937.

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

No. 189

RECEIVED
TO DELEGATOR 1260

AMERICAN CONSULATE

Tsingtao, China, May 20, 1937.

Subject: Japanese Press in Tsingtao Aroused Over
Garrisoning of Chinese Troops.

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Peiping, China.

Sir:

I have the honor to report that for some weeks past the Japanese press in Tsingtao has been greatly exercised by the garrisoning of Chinese troops in the vicinity of Tsingtao. These troops are officially designated by the Chinese as "Revenue Guards" (稅警); the Japanese press considers this designation as a mere euphemism for a body of Chinese government troops which are no different from those enrolled in China's armies.

From the moment that the attention of the Japanese was drawn to the garrisoning of these troops on the outskirts of Tsingtao, the Japanese press has constantly referred to them as a body of "anti-Japanese troops of the Chinese Central Government". Immediately protests were made that anti-Jipponism was on the increase. In a single issue of the TSINGTAO SHENPO some thirteen or fourteen instances of the manifestation of this spirit

were...

- 2 -

were cited, including for example:

"Leading officers and officials make every excuse to avoid calls by Japanese."

The despatch of the Revenue Guards has been frequently referred to by the Japanese press as a violation of an understanding stated to have been reached in 1922 in the Sino-Japanese conversations in regard to the Shantung question. A COMINT telegram from Tokyo dated May 19, states that the Japanese government has instructed the Japanese Consul General in Tsingtao to lodge a strong protest against the presence of the Revenue Guards. From time to time this office has observed among Japanese a belief that a Sino-Japanese agreement exists in regard to the stationing of Chinese troops in this locality. No such agreement does exist, as was admitted to the writer personally by an official of the Japanese Consulate General. It is true, however, that since Tsingtao was restored to China in 1922 no regular Chinese army troops have been stationed here. In the conversations of 1922 it appears clear that the Japanese desired that no such troops be kept in Tsingtao. References are made in this connection to pages 217 to 229 of the United States Government publication CONVERSATIONS BETWEEN THE CHINESE AND JAPANESE REPRESENTATIVES IN REGARD TO THE SHANTUNG QUESTION, particularly to the following quoted therefrom on pages 217-218:

"Baron Shidehara handed to the Chinese delegates the following formula:

"The Japanese troops, including gendarmes now stationed along the Tsingtao-Tsinanfu Railway, shall be withdrawn as soon as the Chinese police

force...

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

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force shall have been sent to take over the protection of the railway.

'The disposition of the Chinese police forces and the withdrawal of the Japanese troops under the foregoing provisions may be effected in sections. * * *

'It is understood that in the sections of the railway in which the Chinese police force shall have taken over such protection the Chinese authorities shall be responsible for the full and efficient protection of the railway as well as of the persons and property of foreign residents. * * * * *

Thus it will be noticed that Baron Shidehara consistently referred to a "Chinese police force", whereas the Chinese delegate, Dr. Zse, apparently to protect the Chinese position with regard to possible exigencies, referred to "police force or troops", as for example on page 223. Also on page 229 the following appears:

'Dr. Zse would further insert the words 'or military forces' after the words 'Chinese political force'".

It is not altogether improbable that the Japanese sincerely feel that a large measure of the progress and prosperity of Tsingtao may be ascribed to the absence of regular Chinese army units. Possibly they feel that the vicious practices of Chinese troops in quartering themselves on the unfortunate Chinese farmer or merchant, and the stifling effect on trade in general of large bodies of Chinese troops, are inevitable results of the stationing of the Revenue Guards in the vicinity of Tsingtao. Possibly it is true that some incidents to disturb Sino-Japanese relations will arise from the proximity of these troops to a locality in which so many Japanese reside. Yet it is also possible that

the...

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

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the chauvinistic Japanese press of Tsingtao rather welcome this opportunity to make an issue of the presence of the Chinese troops in order to demonstrate that they regard this area as a Japanese sphere of influence in which Japanese wishes must be respected.

Chinese Motives for Stationing Revenue Guards.

As far as can be gathered from many articles carried in the press and from conversations with local residents it would appear that the Revenue Guards are in fact a body of Chinese regular army troops moved from Vaichow as a result of the distribution and new disposition which became necessary after the Sianfu affair, and the consequent transfer of troops under Yu Hsieh-chung and Yang Yu-ch'eng. The presence of the Revenue Guards is stated to be not at all pleasing to Admiral Chen, the Mayor of Tsingtao, nor to General Wan Yu-chu. The Mayor has reason to fear that the Revenue Guards might seek to displace him, while General Wan has reason to be displeased because hitherto the central government has not interfered in the military affairs in Shantung since he became governor of the province. One report states that the Revenue Guards were at one time under T. V. Soong's special influence, and that they were viewed with suspicion by General Chiang Kai-shek. The present commander of the Guards is Huang Chieh (黄杰), and it is reported that the number of the men now present approximates 4,500.

Respectfully yours,

Samuel Sokobin,
 American Consul.

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

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

SURE RW 2
DESPATCH NO 1260

No. 191

AMERICAN CONSULATE

Tsingtao, China, May 21, 1937.

Subject: Japanese Opposition to Revenue Guards.

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Peiping, China.

Sir:

I have the honor to refer to this consulate's despatch no. 189 of May 20, 1937, file no. 800, subject: Japanese Press in Tsingtao aroused over Garri-soning of Chinese Troops, and to report that today's issue of the TSINGTAO SHIMPO devotes more space to the subject of the Revenue Guards than has been devoted in recent years to any single subject. The tone of the press items is that Japan's "special position" in this region is being ignored; that a critical situation is developing and that "clouds tinted with the colors of war" are whirling through the air; that the panicky farmers long for the appearance of Japanese troops and are turning their thoughts to "the good old days under the Japanese administration."

A group of Japanese officials consisting of a vice consul, the Navy intelligence officer, the resident military officer, and the chief of police is stated to have made a tour of investigation yesterday. These

officials

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

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officials visited Nan Ch'uan on the railway about 25 miles from Tsingtao; Tsimo, in the country to the east of Nan Ch'uan; and Kiaochow, 45 miles from Tsingtao, for the purpose of ascertaining the extent of the "invasion of the Revenue Guards and to investigate the cases of violence and unreasonable pressures perpetrated on Japanese residents."

The Japanese military resident officer is quoted in the TSINGTAO SHIMPO:

"There are more than 1,000 men of the Fifth Brigade of the General Revenue Guards of the Ministry of Finance stationed in the villages around Mo T'ien Ling southwest from Nan Ch'uan Railway Station. The majority of these men appear to be troops of the Second Division (commanded by Huang Chieh), while some are former troops under Wang I-che (王以哲) and under Yang Hu-ch'eng (杨虎城). The Revenue Guards are rather well armed, possessing light machine guns, heavy machine guns, trench mortars, etc. Each guard has a steel helmet and in short all are well equipped men. Trenches are being dug on a large scale, much to the concern of the natives, while the motor road along Kiaochow Bay suggests (a warlike) preparation."

It is difficult for this office to determine why this enormous importance is being given in the Japanese press to the presence of a force which is estimated to consist of less than 5,000 men. Japanese men-of-war are always present in Tsingtao. The press refers to "anti-Japanese violence and unreasonable pressure beyond description." The newspaper articles contain without question the grossest exaggerations and completely distorted views of the situation. Is it possible to believe, as an example of a TSINGTAO SHIMPO statement that

"Some of

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

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"Some of these Japanese (suffering from anti-Japanese violence) have taken refuge in Tsingtao, leaving behind all they had gained after a struggle for many years."

Already the Japanese press is reporting cases of rape of Chinese women, while one correspondent gives the impression that Japanese women have been violated. The official party is reported to have lodged warnings with the magistrate at Tsimo and with the commander of the Fifth Brigade of Revenue Guards at Mo T'ien Ling.

It is of interest to report that the absence from Tsingtao of the Japanese Consul General Mr. S. Ohtaka, has aroused some resentment among certain Japanese elements. These feel that Mr. Ohtaka, who left Tsingtao early this week for Tientsin and Peking, should have realized "a grave situation" was developing.

Japanese attach importance to instructions alleged to have been sent by the Japanese Garrison in Tientsin to Major Yahagi, the Japanese resident military officer in Tsingtao.

In a conversation with the local Chinese director of the Salt Inspectorate, the alarm of the Japanese was ridiculed. This official stated that the Revenue Guards had been brought in to augment the old Salt Revenue Guards because of a recently instituted increase in the salt tax and a corresponding increase in salt-smuggling activities. The total number of men brought in was not extraordinary and he could only ascribe the furor in the Japanese press to the chronic disposition

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

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disposition of an element of the Japanese community to create trouble and to assert for themselves a special position "of the good old days under the Japanese administration."

This consulate perceives no valid reason for Japanese protest other than that which the great mass of struggling Chinese farmers would have for opposing the stationing of any large body of Chinese troops with their attendant malpractices and customary oppression, or for other reasons than that which other foreigners usually assert, i.e. the stifling effect on trade in general which results from the presence of troops. It is likely that the Chinese Government will take no notice of the protest and unless the Japanese North China Garrison intrudes, the excitement will probably blow over soon.

Respectfully yours,

Samuel Sokobin,
 American Consul.

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 Copy to Commander Submarine Squadron Five.

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

No. 193

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1260

AMERICAN CONSULATE

Tsingtao, China, May 24, 1937.

Subject: Japanese Opposition to Revenue Guards.

The Honorable

Nelson Irusler Johnson,
American Ambassador,
Peking, China.

Sir:

I have the honor to refer to this consulate's despatches nos. 189 and 190 of May 20 and May 21, 1937, file no. 800, on the subject of Japanese opposition to the Chinese Revenue Guards stationed near Tsingtao and to report that there has been a considerable abatement of the Japanese propaganda against the guards.

In today's issue of the TSINGTAO SHIMPO only one small item appeared on the subject; the tenor of this item indicated that the Japanese were satisfied that while for the time being there would be "no invasion of Tsingtao" by the Revenue Guards, this was only a temporary lull in the situation and it was certain that the Chinese Central Government would endeavor by all possible means to "invade Tsingtao".

RESIDENT MILITARY OFFICER'S STATEMENT

A lengthy statement by Major Yahagi, the Japanese Resident Military Officer, appeared in yesterday's TSINGTAO SHIMPO. This statement referred to one by the commander of the Revenue Guards to the effect that
there

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there was no intention on the part of the Revenue Guards to enter Tsingtao. Due note thereof had been made by the Japanese. However, it was to be observed by the Japanese that the Revenue Guards had an office in Tsingtao "in a certain place". Major Yahagi's statement went on to express satisfaction with the Chinese action in not entering Tsingtao, an action in accord with the spirit of the agreement for the restoration of Tsingtao in 1922, and which would prevent the outbreak of unfortunate incidents that would inevitably follow upon the entry of the Guards. The decision of the Chinese was indeed a most reasonable one and clever policy on their part. The steps taken by the Chinese would dispel the uneasiness in Tsingtao at this time when there is an influx of summer visitors; the Chinese decision was a display of the special consideration for the economic welfare of the community in general. Major Yahagi took at face value the statement of the Revenue Guards Commander that he was engaged only in salt smuggling preventive work. On the other hand, the commander admitted that some of his men were involved in the incident at Nan Ch'uan, (where some Koreans were beaten), and to that extent he could be absolved from responsibility. There was evidence contrary to the commander's statement that he had never suppressed Japanese with violence, but the incidents would be taken up through ordinary diplomatic channels. Major Yahagi sympathized with the commander who had been deceived by the failure of the subordinates to report the true facts of the incidents concerning

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concerning the Koreans. Major Yahagi deeply regretted that the commander had seen fit to contradict the Japanese press reports, which were absolutely correct. It was the Japanese who had prevented the Chinese from carrying out their plans of "invading Tsingtao" and it was a matter of satisfaction to note that Chinese policy had been guided by the Japanese press publicity.

COMMANDER OF REVENUE GUARDS CALLS ON FOREIGN CONSUL

This morning Colonel Ch'iu Chih-chi, commanding the Revenue Guards, called at this consulate. He was accompanied by Mr. K. J. Woo, Director of the Tsingtao Salt Field Bureau, the name by which the local office of the Salt Office is now designated. Colonel Ch'iu is a Cantonese, youthful in appearance, whose card reads 財政部稅警總團步兵第五團團長. He stated he had called in an endeavor to banish any misapprehensions which might exist among other than the Japanese residents. A statement by him had appeared in both the English and Chinese press. There had been an incident with some Korean narcotic vendors, but there was no cause for excitement or apprehension. A copy of the English version of Colonel Ch'iu's statement is enclosed.

It is not impossible that back of the press opposition to the Revenue Guards was the Japanese resident military officer, Major Yahagi. On the other hand, the Japanese Government probably did view with displeasure the entry into Tsingtao of any Chinese military forces, although it is understood the Mayor of Tsingtao pointed out that he had brought in 1,000 Chinese marines in

December

075

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

- 4 -

December 1936, at the time of the cotton mill labor trouble. It also appears that whether the Revenue Guards had or had not any intention of garrisoning themselves in this city, the Japanese are satisfied that their opposition to the presence of the Revenue Guards has been effective in impressing on the Chinese officials here that the Japanese point of view in regard to the peace and order of Tsingtao must be given consideration.

Respectfully yours,

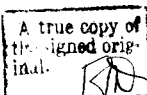
Samuel Sokobin,
American Consul.

Enclosure:

1. Clipping from TSINGTAO TIMES
of May 23, 1937.

800
SS/AD

Original and 5 copies to Embassy, Peiping,
Copy to Embassy, Nanking,
Copy to Commander Submarine Squadron Five,
Copy to Tsinan-Chefoo,



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

TSINGTAO TIMES
 May 23, 1937,
 Tsingtao, China.

SALT PREVENTIVE TROOPS

* * *

Several conflicting reports have been appearing in the local and Shanghai press recently regarding the transfer of a number of additional Salt Preventive Guards to the Tsimei district.

A Domei report from Tokyo on the 19th May reports that strong representations were made by the local Japanese Consul-General against the transfer of a strong police force, numbering 4,500 well armed men, from Haichow to Tsingtao.

On the same day our representative had an interview with Colonel Chiu, in command of these Salt Preventive Guards, and the latter made assurances that:

- (a) the Preventive Forces are not to be moved into the precincts of Tsingtao
- (b) Certain foreign news sources have published erroneous information regarding the movements of the Salt Guards.

Colonel Chiu stated that facts are more eloquent than words, and he made the following statements:

The Salt Preventive Corps are under the direct orders of the Ministry of Finance, and stationed in various salt-producing districts throughout the country. Their duty is the prevention of salt smuggling and the protection of the saltbeds. Within the Kiao-Au Salt District there has always been stationed the Independent Second Battalion, but during recent months the production of salt has greatly increased, and again with the new increase of taxes on salt there has been an attempt at increased smuggling, and as a result the responsibility of the Preventive Forces has greatly increased. Accordingly the Ministry of Finance has transferred Colonel Chiu's regiment to this district, and the original Independent Second Battalion has been ordered to Haichow. This was merely a routine transfer, and Colonel Chiu expressed amazement that others could have misconstrued this transfer.

Our representative asked Colonel Chiu whether any of his guards would be moved to within the limits of Tsingtao, and Colonel Chiu categorically denied such a possibility.

When our reporter asked Colonel Chiu regarding the reports of interference with and suppression of Koreans by the Salt Guards, Colonel Chiu stated that he has always kept his men under strict discipline, and

he has always made it a point to keep good relations between his men and the local country-people, and in this new district he has continued his former policy. The only time that his regiment has had any encounter with any persons, non-Chinese, was on the 2nd May, at the Village of Chi Hung Tan, in Tsimei County. Three Koreans, by the nature of their trade, had earned a bad reputation amongst the country-people, so that the latter had asked the District Police to have these Koreans withdraw from that area. It happened that on that day the Salt Guards arrived in that village, but the commanding officer realised the importance of the safety of foreign subjects and he enjoined the village elder, Wang Tah, to escort the Koreans beyond the village, and it is understood that as a matter of procedure the Koreans had first signed an affidavit for the District Police. Since that occasion, according to written form.

Since that occasion, according to Colonel Chiu, the regiment has had no contact with any foreign national, for the Salt Guards are stationed in the Tsimei District, with headquarters at Ma Tien Li, which is quite in the interior and five miles from the Kiao Tsi Railway even, and as there is no foreign national living in that district, no conflict can possibly arise.

When we asked Colonel Chiu how many of the Salt Guards are stationed at Chengyang and Nanchuang, Colonel Chiu stated that there is not a single man of his forces stationed in either of those towns.

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

No. 194

4
1260

AMERICAN CONSULATE

Tsingtao, China, May 27, 1937.

Subject: Japanese Opposition to the Revenue Guards.

The Honorable

Nelson Trusler Johnson,
 American Ambassador,
 Peiping, China.

Sir:

I have the honor to report that although there has been a very considerable decrease in the space in the Japanese press devoted to the Chinese Revenue Guards, some attention is still being given to the subject. Today's TSINGTAO CHILPO gives prominence to a protest made by the Japanese charge d'affaires in Nanking in connection with the Swatow incident and the presence of the Revenue Guards in the vicinity of Tsingtao.

The Japanese Consul General in Tsingtao, who went to Tientsin the early part of last week to attend the conference of Japanese consular officers, returned to Tsingtao by plane on May 24, because of the alleged seriousness of the local situation.

At the conference a DOMEI news item states that the Japanese Consul General at Tientsin "made a minute report on the violence of the Revenue Guards in Shan-tung". The DOMEI report also stated that the Japanese consular officers in conference at Tientsin were agreed that

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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

- 2 -

that there had been an increase in anti-Japanese activities in North China.

This consulate has observed no change in the situation. The Revenue Guards are still stationed at some distance from the urban area, and Japanese concern has for the moment been overshadowed by today's preparations for large scale celebration of the Battle of Tsushima Straits. Possibly Japanese anxiety has been lessened by an alleged warning given by General Chiang Tso-pin to the Commander of the Revenue Guards. The Japanese press reports that General Chiang cautioned the commander against taking any action which would arouse the Japanese and which would be sure to be the cause of Sino-Japanese incidents.

Respectfully yours,

Samuel Sokobin,
American Consul.

500
SS/AD

Original and 5 copies to Embassy, Peiping,
Copy to Embassy, Nanking,
Copy to Tsinan-Chefoo,
Copy to Subron Five.

A true copy of
the signed original
is being
DD

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 5
TO SECRETARY 1260

No. 195

AMERICAN CONSULATE

Tsingtao, China, May 28, 1937

Subject: Japanese Opposition to Revenue Guards.

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Peiping, China.

Sir:

I have the honor to refer to this consulate's despatches on the subject of Japanese opposition to the Revenue Guards and to state that no new developments have occurred in the situation.

It is of interest to note that at least one reason for Japanese concern over the presence of the Revenue Guards is their alleged molestation of Koreans. It is true that there are Koreans resident in the district engaged in a variety of occupations, and they may have had some minor clashes with Revenue Guardsmen, as is practically admitted in Colonel Ch'iu's statement as quoted in Tsingtao's despatch no. 193 of May 24, 1937, file no. 800. Such solicitude of the Japanese for the Koreans seems paradoxical in the light of their request in the winter of 1936 for satisfaction from the Chinese on the following point

"The control by the Chinese Government of unlawful activities of Koreans".

Taking a hypothetical case, if the Chinese
authorities

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 -

authorities informed the Japanese that the Koreans with whom the Revenue Guards had become involved, were precisely the type referred to in the quotation above, (see article "China Explains Her Case", NORTH CHINA DAILY NEWS, December 8, 1936), it would be interesting to speculate upon the Japanese attitude thereto.

In the statement issued at Nanking on December 6, 1936, a spokesman of the Waichiaoapu made the following comment on the subject of the Koreans:

"In connection with the question of suppressing unlawful activities of Koreans, it is pointed out that the Chinese Government naturally does not like to see illegal acts committed on Chinese soil by nationals of whatever foreign country, but the Japanese Government should also suppress unlawful activities committed under its protection by Koreans, Formosans and other subjects of Japan."

This consulate feels that behind the presence of the Revenue Guards in Tsingtao are a series of factors each important in itself, but interplaying in such a way that any attempt at oversimplification of the situation would fail to give the true reason for their presence in Shantung. These factors are understood by this consulate to be: (1) the ever changing political and military situation, requiring a nation wide redistribution and disposition of troops; (2) the Central Government's desire to extend its influence in Shantung as well as to control the activities of General Han Fu-chu and Admiral Shen Hung-lich; (3) and the legitimate and natural desire to protect the salt revenue in the area of the salt fields because of a great extension of the motor roads. In support of the first of these points it may be stated that the consulate understands that

0758
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

- 3 -

that a number of the Revenue Guards were formerly
in the army of General Chang Fa-kuei.

Respectfully yours,

Samuel Bokobin,
American Consul.

800
SS/AD

Original and 5 copies to Embassy, Peiping,
Copy to Embassy, Nanking,
Copy to Tainan-Chafoo,
Copy to Subron Five,

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

DOCUMENT FILE

NOTE

SEE 893.00 P.R.Yunnan/103 FOR Desp.#-

FROM Yunnanfu (Penfield) DATED May 3, 1937.
17911 NAME 1-1127 ...

REGARDING: Relations between China and Japan: Reports
regarding -, during the month of April, 1937.

fpg

793.94/ 8674

8674

3760

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

2
3. Japan

(a) General.

793.94

April witnessed no decrease in the large number of anti-Japanese comments in the local press. The people were urged to pay close attention to the Japanese internal political situation though it is difficult to understand just why, for it was regarded as a foregone conclusion that no matter what political changes take place they can only result in increased control of the government by the military.

The type of superficial comment constantly seen in local papers is illustrated by the following extract from the Yunnan Ren Yao, personal organ of Chairman Lung:

"Under the pretext of cooperation China has again been given a morphine injection, this time by the Japanese Economic Mission. Kodama and his colleagues are returning to Japan victoriously, but their victory is a funeral procession for the Chinese race....Isn't their 'cooperation' just another form of robbery?"

(b) Major Nagata

Major I. Nagata, who has been here since

last

-7-

last September (Political Report for September, 1938, page 3) is said to be leaving noon. During April he made an "inspection trip" to Yali in western Yunnan, having with difficulty succeeded in obtaining a visa from the local authorities. The lack of cordiality between the Major and the local Japanese Consul is well illustrated by the latter's contemptuous remark regarding the high price the former paid for a car to take him to Yali, "Imagine! he hired 13,300 paper for that car!" This remark was repeated three times with increasingly emphatic scorn.

(c) Emperor's Birthday

The birthday of the Japanese Emperor was celebrated on May 29th by a noon reception at the Japanese Consulate which was attended by the foreign community and most high provincial officials including a representative of the Governor. Except for the guests' failure to shout the usual "wan sui" when the toast was proposed, no unusual incidents marked the occasion.

C. Relations of a General International Character

Nothing to report.

D. Foreign Military and Naval Forces

Nothing to report.

E. Occupation of American Property

Nothing to report.

III. INTERNAL POLITICAL ACTIVITIES

A. National

1. Arrival

-0-

1. Arrival of Hsinking-Yunnan Motor Caravan

This party, comprising a total of 136 persons and 13 buses, arrived in Yunnanfu about 2:30 p.m. on April 25th, the 25th day since their departure from Hsinking. They were given a most enthusiastic welcome and were all relatively luxuriously accommodated in a large private residence which has recently been purchased by the Provincial Government from an ex-bayor of Yunnanfu. The local press has given considerable space to the party and during the last week of April it was featured to the practical exclusion of all other local news.

The local authorities obviously attach great importance to the visit. Roads have been improved, streets cleaned, buildings painted, officials put into "Guangshan" uniforms and elaborate entertainments planned. The leaders of the party, Mrs. Ch'u Min-1, former Secretary General of the Executive Yuan, and Wu Lien-ten, Director of the National Quarantine Service, are both extremely enthusiastic over the success of the expedition, and in fact it is no small feat to conduct a caravan of this size on a 25 day journey of almost 3,000 kilometers without delay, sickness or serious accident. Road building has been given added impetus and it is claimed that national unification has been helped materially by making the Central Government a reality to the formerly isolated provinces through which the caravan has passed. A full report on the expedition will be submitted after their departure.

B. Movements

176
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton D. Huefner NARS, Date 12-18-75

35-1

FE

TELEGRAM RECEIVED

JR

1-1336

FROM

GRAY AND SPECIAL GRAY

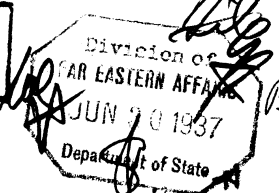
Nanking via N R

Dated June 30, 1937

Rec'd 9:25 a.m.

793.94
Secretary of State,
Washington.

COPIES SENT TO
O.N.I. AND M.I.D.



250, June 30, 9 a.m.

One. Kawagoe arrived yesterday afternoon at Shanghai where reportedly he will remain for several days.

Two. An officer of the Embassy has been informed by a responsible official of the Foreign Office that (one) recent conversations between the Japanese Charge d'Affaires and the Foreign Office, reported in the press, did not (repeat not) concern fundamental Sino-Japanese issues; (two) it was not (repeat not) anticipated that formal negotiations with the returning Japanese Ambassador would be opened for at least two months because (A) the Foreign Minister had hinted to Kawagoe through the Japanese Embassy that if the latter wished to see him he must come to Nanking before July two the day on which Wang plans to depart for Kuling (B) the present atmosphere was not suitable for the reopening of negotiations and had been considerably darkened by Kawagoe's statements to the press in Tokyo June 25 that China must be brought to full recognition of Japan's right to expansion and of the inevitable ~~relationship~~ ^{relations} between

Manchukuo

795.94/3675

F/FC

SH

776
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

35-2

-2-

JR #250, June 30, 9 a.m., from Nanking via N R.

Manchukuo and North China, that the Tangku truce and
Houmetsu agreement could not be abrogated, and that
Japanese would continue to deal with ^{regional} ~~(?) (?)~~ authorities sp
in the north. In regard to economic developments there
the informant did not think that the renting of a house
at Kuling for the Japanese Ambassador (as reported in our
228 June 2, noon) would hasten the opening of negotiations.

Three. He intimated that if Japanese policy was along
the lines indicated by Kawagoe in the press reports above
mentioned there seemed no possibility of a break in the
deadlock and he looked with pessimism to the future.

Four. Sent to the Department, by mail to Peiping,
Tokyo.

PECK

CSB

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

DOCUMENT FILE

NOTE

SEE 893.00 P.R.Chefoo/121 FOR Desp.#20

FROM Chefoo (Allen) DATED May 7, 1937.
// NAME 1-1127 o.p.

REGARDING: Relations between China and Japan: Reports regarding -,
and cites seizure of Japanese fishing boats by the
Chinese Customs authorities as the main development
in relations between the two countries, during April,
1937.

fpg

793.94/ 8676

8676

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

- 3 -

793.94
2. Japan:

The seizure of Japanese fishing boats, their detention in Weihaiwei and subsequent release by the Chinese Customs was recounted in the political report submitted by this Consulate on April 1. Early in April the Acting Japanese Consul in Chefoo lodged a strong written protest with the Commissioner of Customs in Chefoo, alleging that Customs officers making the seizure had threatened Japanese subjects with rifles, and had forced the Japanese owners to sell their fish at a loss. The Consul asked for compensation to be paid the fishermen for their loss of time and loss of profit on fish sold, for punishment of responsible Customs officers and for assurances that similar incidents will not occur in the future.

In his reply the Commissioner pointed out that Customs officers in Weihaiwei are not armed with rifles and so could not have threatened their prisoners as alleged. He also stated that his information indicated that the Japanese boats, which were well stocked with ice, had sold no fish during the period of detention.

Other Japanese craft were seized by the Chinese Customs toward the end of April when a Customs preventive cruiser found a Japanese boat hovering off the Shantung coast apparently engaged in illicit traffic in prawns. The master of the boat, detained in Chefoo, notified the owner in Dairen, who sent his manager in another of his boats to Chefoo to arrange for release. On arrival in Chefoo the second boat was also seized by the

- 4 -

the Customs for violation of shipping provisions which prohibit entry to foreign craft of measurement under a minimum tonnage. The second boat has now been released on payment of a fine of \$200, but the boat charged with the more serious offense is still detained. The Japanese Consul has taken up the case on behalf of the owner.

C. Relations of a General International Character.

Nothing to report.

D. Foreign Military and Naval Forces in China.

No foreign forces visited Chefoo during April.

E. Occupation of American and Other Foreign Property.

Nothing to report.

III. INTERNAL POLITICAL ACTIVITIES

A. National.

Nothing to report.

B. Provincial.

Nothing to report.

C. Municipal.

Nothing to report.

IV. JUDICIAL AND LEGAL MATTERS

(See "Relations with the United States".)

V. COMMERCIAL, ECONOMIC AND FINANCIAL MATTERS

1. Construction:

A road-building project for Chefoo was inaugurated during April which will provide facilities for the growing automobile traffic of the city. Chefoo offers many

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

DOCUMENT FILE

NOTE

SEE 893.6551/24 FOR #-

FROM Tsingtao (Sokobin) DATED May 13, 1937
TO NAME 1-1127 GPO

REGARDING: Expansion of cotton textile industry at Tsingtao by Japanese capitalists. Encloses list of Tsingtao cotton mills, showing details of present spindleage and additional equipment being added at each mill.

FRG.

793.94/3677

8677

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

SUBJECT OR FILE NO. 793.94/8679		DATE DUE 5/10	
DATE OF	DOC. NO.	SECURITY CLASS.	DATE CHARGED 3/10/53
TO/FROM		ENCLOSURES	
CHARGE TO <i>Jessup for Zander</i> (Signature)		OFFICE SYMBOL 5Y	
Form DS-933a (9-1-51) DEPARTMENT OF STATE			

36-1

TELEGRAM RECEIVED

MM

1-1336

FROM

GRAY AND SPECIAL GRAY

Peiping via N.R.

Dated July 2, 1937

Rec'd. 10am.

Secretary of State

Washington, D.C.

Department of State

COPIES SENT TO
J.N.L. AND M.L.D.

200, July 2, 6pm.

Embassy's 164, June 16, 5pm. **8654**

One. The deadlock in Sino-Japanese relations in regard to Hopei Province continues much as it was described in the above mentioned telegram. Sung Che Yuan remains in western Shantung, with the date of his return to Peiping still undetermined so far as known. The National Government continues, with some success, to increase its influence in this area, with the Japanese allegedly being especially displeased at the preparations for selection of delegates to the People's National Assembly. The Japanese apparently prefer (?) to continue for the time being rather than risk steps for its improvement which might have disadvantageous results.

Two. According to an officer of the local Japanese Embassy, the Japanese Ambassador will arrive in Peiping in the near future not for the purpose of conferring with Sung but for personal reasons.

Three. Rumors have been current in Peiping during the past week of possible disorders being created by disgruntled Chinese

793.94/8679

JUL 6 - 1937

F/FG

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

36-2

MM 200, July 2, 6pm. from Peiping. -2-

Chinese or Japanese Nationals, and it is stated by local officials that special precautions have been taken for dealing with such an eventuality. Insofar as can be discovered, the rumors seem to be primarily due to the uneasiness which has developed among local Chinese as a result of Sung's lengthening absence.

Four. It seems likely that any fresh developments of importance await Sung's return and his action with regard to the various problems as requested by him. By mail to Tokyo.

JOHNSON

CSB

0777
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

DOCUMENT FILE

NOTE

SEE 700.0011 Pacific/19 FOR Tel.#252-2pm.

FROM China (Nanking) (Peck) DATED July 1, 1937.
/7P/// NAME 1-1127 a.p.o.

REGARDING: Relations between China and Japan: In a conversation between Chinese Minister for Foreign Affairs, Dr. Wang, and Mr. Peck, Dr. Wang stated his Government was anxious to bring about the termination of the East Hopei regime, and to adjust other outstanding questions with Japan, but was determined to avoid any precipitation of actual conflict.

fpg

793.94/ 8680

8680

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

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Tsinan/109 FOR #17

FROM Tsinan (Allison) DATED June 7, 1937
TO NAME 1-1127 GPO

REGARDING: Sino-Japanese relations of the month of May, 1937: Tsinan
monthly report.

General; Number of Japanese police to be increased; smuggling.

FRG.

793.94/
3681

8681

793.94
B. Relations with Other Countries.

1. Japan.

a. General.

Contrary to the general excitement caused among Japanese in Tsingtao and other places in North China by the presence in eastern Shantung of the Salt Revenue Guards the Japanese in Tainan did not appear to be alarmed. The local Japanese owned newspaper made no mention of the dispute, but this may be due to the fact that the recent rumor of its subsidization by General Han Fu-chu is correct. When General Chiang Tso-pin, the Minister of the Interior, was in Tainan, the Japanese Consul General who says he is an old friend of Chiang's, mentioned the matter to him, but was told that the Minister of the Interior had no authority in the case. Upon his return from the Japanese consular conference in Tsingtao, Mr. Arino told the writer that the seriousness of the matter had been greatly exaggerated by the newspaper accounts and he said that the Japanese papers and news agencies had been cautioned by the Japanese consular authorities against spreading stories which might arouse misunderstanding and antagonism. It remains to be seen whether or not the words of a Japanese consul carry as much weight as those of a Japanese army officer.

b. Number of Japanese Police to Be Increased.

It was announced in the press at the end of the month that the number of Japanese consular police in Tainan and Tsingtao

- 2 -

Tsingtao was to be increased in the near future. This was confirmed by the local Japanese Consulate General which stated that seven additional policemen were on the way to Tainan, which would bring the total in this city to thirty-five. According to Mr. Arino the reason for this increase, is the large number of visiting Japanese who have been coming to Tainan in recent years and who have added considerably to the burden of the present force. To anyone who understands the Japanese passion for keeping detailed accounts of the comings and goings and all activities of people, important or otherwise, this explanation appears reasonable.

c. Smuggling.

There have been no startling developments in the smuggling situation during the month. According to a statement made to the writer by Mr. Li Tung-hwa, chief of the local anti-smuggling bureau, smuggled goods valued at Y \$30,000 had been confiscated by his men from Chinese importers in Tainan and vicinity during the months of March and April. Most of the products seized were piece goods.

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

37-1

TELEGRAM RECEIVED

JR

1-1336

FROM

GRAY

Tokyo

Dated July 8, 1937

Rec'd 6:29 a.m.

Secretary of State,
Washington.

COPIES SENT TO
U.N.I. AND M.I.D.

Division of
FAR EASTERN AFFAIRS
JUL 8 - 1937
Department of State

185. July 8, 5 p.m.

We are informed by the Foreign Office that official Japanese reports from Peiping indicate that prospects are favorable for settlement of the brush which took place this morning near Peiping between Japanese and Chinese troops. It was stated at the Foreign Office that "our military people seem to believe that the firing by Chinese troops which started the incident was not (repeat not) premeditated".

Repeated to Peiping.

GREW

DDM:WVC:HPD

793.94/8682

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

38-1

FE

TELEGRAM RECEIVED

JR

GRAY

1-1326

FROM Peiping via N. R.

Dated July 8, 1937

Rec'd 4:05 a.m.

Secretary of State,
Washington.

COPIES SENT TO
U.N.I. AND M.I.D.



206. July 8, 11 a.m.

One. A clash took place shortly before midnight last evening at Marco Polo bridge, which is 10 miles west of Peiping, between Japanese and 29th army (Sung Che Yuan's) troops. Japanese troops have been maneuvering for some two weeks in that vicinity and, according to Chinese sources, attempted last evening to take Marco Polo bridge as a part of the maneuvers. The Chinese troops which have been stationed at either end of the bridge for a long time resisted and subsequently retired into the nearby small walled town of Wanpingsien. It is not known what casualties may have occurred during the clash at the bridge.

Two. It is understood that the Chairman of the Foreign Affairs Committee of the Hopei-Chahar Political Council called at 1 a.m., at the Japanese Embassy here to effect a settlement.

Three. However, according to Chinese guards of the barricaded gates of Wanpingsien who were interviewed this morning at 8 o'clock by Salisbury, the Japanese began firing on the city at about 3:30 a.m., with the result that

some

793.94/8683

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793.94

077

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

38-2

-2-

JR #206, July 8, 11 a.m., from Peiping via N. R.

some houses were destroyed, some tens of Chinese soldiers were killed or wounded, and ten or more civilians were killed. The guards claim the Chinese side did not respond to the Japanese firing. Desultory firing was still going on in the vicinity of Marco Polo bridge as late as 8:30 a.m., today although country this side was peaceful, Chinese on farms going about their affairs as usual.

Four. The Embassy will report later what progress may be made in negotiations for a settlement of the incident. Peiping is quiet. No unusual movement of troops by either side.

Repeated to Nanking, Shanghai and Tokyo.

JOHNSON

RR:WWC

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

39-1

TELEGRAM RECEIVED

JR

GRAY

1-1336

FROM

Peiping via N R

Dated July 8, 1937

Rec'd 6:16 a.m.

Secretary of State,

Washington.

COPIES SENT TO
G.N.I. AND M.I.D.

Division of
FAR EASTERN AFFAIRS
JUL 8 - 1937
Department of State

207. July 8, 3 p.m.

Embassy's 206, July 8, 11 a.m. /8683

One. Local Japanese Assistant Military Attache stated to press representatives this morning that, in view of many rumors arising because of Sung Che Yuan's absence, the Japanese wish to do away with misunderstandings; that this morning's incident is regrettable; that Chinese troops opened fire on Japanese troops while the latter were maneuvering near Marco Polo bridge; that the Japanese troops stopped maneuvering, concentrated, and awaited; that Chinese again opened fire at about 5 a.m.; that the Japanese, therefore, had to take self defense measures; that the incident is undesirable for friendly relations between Japan and Hopei and Chahar; that proper measures must be considered; that Japan does not desire to enlarge this incident; but that that will depend on the Chinese attitude.

Two. According to a statement issued by the office of the Japanese Military Attache, a Japanese Lieutenant

was

793.94/3684

JUL 9 - 1937

F/FG

39-2

-2-

JR #207, July 6, 3 p.m., from Peiping via N R.

was killed, a second lieutenant was injured, and several of lesser rank were killed or injured.

Three. According to ^{Chinese and Japanese} ~~our~~ sources, two Japanese officers and a few Chinese officers and officials went early this morning to the town of Wanpinghsien to negotiate on the spot. Apparently the second fighting broke out while they were at that town. JW

Four. The Chinese press has published an account, apparently inspired by Chinese officials, according to which the Japanese military demanded permission to enter Wanpinghsien, following the first encounter, in order to search for those Chinese soldiers who the Japanese alleged were responsible for the clash; permission was refused; and subsequently the Japanese opened fire on the town.

Repeated to Nanking, Shanghai and Tokyo.

JOHNSON

RR:WVC

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

40-1

FE

TELEGRAM RECEIVED

JR

GRAY

1-1336

FROM

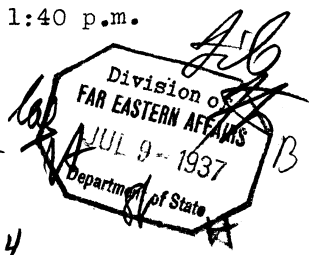
Peiping via N R

Dated July 8, 1937

Rec'd 1:40 p.m.

Secretary of State,
Washington.

COPIES SENT TO
U.N.I. AND M.I.D.



793.94

209. July 8, 5 p.m.

Embassy's 207, July 8, 3 p.m. / 8684

One. Most of the Peiping city outer gates are closed, as well as two gates between the Chinese and Tartar cities. Some three hundred Japanese soldiers who wished to enter the city by one of the east gates this morning have not (repeat not) been permitted to enter. Peiping Hankow trains are not (repeat not) entering or leaving Peiping. Today's four p.m., express train to Tientsin has been cancelled. As far as known no (repeat no) further fighting has occurred in the vicinity of Wanpingshien. The Consulate General at Tientsin reports that a few Japanese tanks and armored cars have left Tientsin in the direction of Peiping.

Two. With reference to the Chinese account referred to in paragraph four of the above telegram, a fuller account contains the statements that, after the Japanese opened fire on the town with artillery, the Chinese forces began to resist; that there were heavy Chinese casualties

793.9473685

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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 O. Gustafson NARS, Date 12-18-75

40-2

-2-

JR #209, July 8, 5 p.m., from Peiping via N R

casualties; that the Japanese were requested to cease their advance and return to their original positions; and that the Japanese replied that they would not enter into discussions until Sung Cha Yuan's forces removed from their positions along the Yungting River (which Marco Polo bridge crosses),

Repeated to Nanking, Shanghai and Tokyo.

JOHNSON

RR:WWC

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

41-1

TELEGRAM RECEIVED

MM

GRAY

1-1330

FROM

Tokyo

Dated July 9, 1937

Rec'd. 5:33am.

Secretary of State

Washington, D.C.

COPIES SENT TO
O.N.I. AND M.I.D.

186, July 9, 1pm.

My 185, July 8, 5pm.

8682



A newspaper extra issued early this morning states

that according to reports from Peiping received at the War Office, mediation by the Mayor of Tientsin had resulted in an agreement whereby the Japanese forces would be withdrawn north of the Yungting River and the Chinese forces south of that river. However, later press despatches said that there had been a resumption of fighting this morning.

The Assistant Military Attache of this Embassy who has just returned from the War Office was informed that the incident will not necessarily become an issue if the Chinese carry out their share of the agreement. The War Office reports of this morning's fighting indicate that press accounts received here are exaggerated.

Repeated to Peiping.

GREW

RR
WWC

793.94/3636

JUL 13 1937

F/FG

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

42-1

FE

TELEGRAM RECEIVED

JR

GRAY and SPECIAL GRAY

Nanking via N R

1-1336

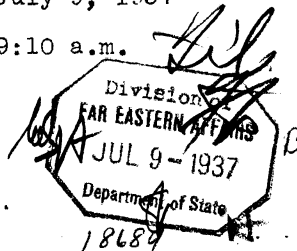
FROM

Dated July 9, 1937

Rec'd 9:10 a.m.

Secretary of State,
Washington.

COPIES SENT TO
O.N.I. AND M.I.D.



256, July 9, 11 a.m.

Peiping's 206, July 8, 11 a.m., and 207, July 8, 3 p.m.

793.94

One. An officer of the Embassy has just been informed by a responsible official of the Foreign Office that another clash occurred last night and that the Foreign Minister, who left July 2 for the Kuling summer capital is returning here this afternoon by plane.

Two. The Foreign Office official stated that (1) the Foreign Office last evening lodged with the Japanese Embassy here an oral protest against "attack by Japanese troops upon Chinese troops" and requested immediate cessation of hostilities, and, (2) the Japanese Embassy replied that it would telegraph the request to the Japanese military authorities in North China.

Three. The informant stated that the incident was clearly premeditated by the Japanese and has the following background:

(1) It has been known for some time that Konoye has been planning to make extensive changes among commissioned personnel of Japanese forces in North China with a view to eliminating

793.94/3687

JUL 13 1937

F/FG

42-2

-2-

JR #256, July 9, 11 a.m., Nanking via N R.

eliminating junior leaguers; (2) the "increasing influence" of the National Government in North China, as evidenced by preparations there for selection of delegates for forthcoming National Peoples Assembly and Government opposition to the Tientsin Tokyo air line, has greatly displeased Japanese military in North China; (3) the Japanese military have for some time made known their desires that Chinese troops withdraw from Lukouchiao (Marco Polo Bridge) and Wanping to sector west of the Yungting River, Lukouchiao being important to the Japanese as a military station because it is junction of three rail lines; (4) Japanese military have been displeased at Sung Che Yuan's lengthy absence from his post which has been presumably in part due to his desire to avoid discussion with them concerning Japanese economic and other aims.

Four. He says that Wanping was still being besieged; the Japanese had demanded permission to enter that town and search for an allegedly missing Japanese soldier whose absence had been discovered during the night maneuvers of July 7 following the sound of rifle shots in the distance. The Chinese troops, who had not emerged from Wanping during July 7, refused the Japanese permission to enter, and latter surrounded the town although the
missing

0784
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

42-3

-3-

JR #256, July 9, 11 a.m., Nanking via N.R.

missing soldier had subsequently been found.

Five. Among the speculated reports from unofficial Chinese sources is one that the Japanese, displeased at Sung's continuous absence, are taking this means toward eliminating him as Chairman of the Hopei-Chahar Council and causing the transfer of Sung's unfriendly Twenty-ninth Army.

Six. Kawagoe sailed yesterday from Shanghai for Tsingtau and North China.

Seven. Sent to Peiping and Tokyo, by courier to Shanghai.

PECK

KLP:HPD

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

43-1

TELEGRAM RECEIVED

JR

GRAY

1-1336

FROM

Peiping via N R

Dated July 9, 1937

Rec'd 9:20 a.m.

Secretary of State,
Washington.

COPIES SENT TO
U.N.I. AND M.I.D.

Division of
FAR EASTERN AFFAIRS
JUL 9 - 1937
Department of State

211. July 9, 3 p.m.

Embassy's 210, July 9, 2 p.m.

One. An American press correspondent who has just returned from the vicinity of Wanpingsien states that firing ceased at 8:45 this morning. Chinese newspapermen on the scene informed him that the Chinese forces had begun to retire to the west bank of the river and that they were to be replaced by Chinese Peace Preservation Corps troops. A Japanese newspaperman informed him that the Japanese forces opened fire about 5 o'clock this morning "to cover their retreat" and thereby killed one and wounded four of the Peace Preservation Corps. According to information received by this correspondent, the agreement includes withdrawal of the Japanese forces to Fengtai but they were still on the east bank of the river at 10 o'clock this morning.

Repeated to Nanking, Shanghai and Tokyo.

JOHNSON

KLP:HPD

793.94/3688

JUL 13 1937

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

44-1

JR

TELEGRAM RECEIVED

GRAY

Peiping via N R

Dated July 9, 1937

FROM

Rec'd 7:25 a.m.

1-1336

Secretary of State,
Washington.

COPIES SENT TO

CHIEF OF BUREAU

210. July 9, 2 p.m.

Embassy's 209, July 8, 5 p.m. / 8685

One. There was desultory firing between Japanese

and Chinese forces in the vicinity of Marco Polo Bridge yesterday afternoon. A reputable eye witness states that there was heavy shelling of the bridge, if not of Wanpinghsien, by Japanese at 7 p.m. There was heavy fire at about 6 this morning. The present situation is not known.

Two. According to a secretary of local Japanese Embassy the Japanese and Chinese authorities at Peiping agreed last night that firing should cease at 5 a.m.; the Japanese ceased firing but the Chinese had not (repeat not) received the order and continued firing; the Japanese therefore reopened fire; a Japanese officer and some Chinese officials arrived at Wanpinghsien at 7 this morning to effect the ceasing of firing and the withdrawal of Japanese forces to the east bank (the bank on the side of Peiping) and the withdrawal of the Chinese forces to the west bank, which would mean the evacuation of Wangpinghsien; the Japanese forces are now all on the

east

793.94/3689

JUL 13 1937

F/FG

793.94

7 7 8 8

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

44-2

-2-

JR #210, July 9, 2 p.m., from Peiping via N R

east bank; the outcome of the negotiations is not yet known.

Three. From this information and information obtained from the Chairman of the Foreign Affairs Committee of a Hopei-Chahar Political Council, it would seem that the higher Japanese and Chinese authorities have reached an agreement. From another source it is learned that it is intended to replace the Chinese regular forces with Chinese Peace Preservation Corps troops. The Chairman stated that he does not (repeat not) regard the situation as improved today.

Four. The Japanese official referred to above stated that a non-commissioned officer was killed yesterday and not (repeat not) a commissioned officer and that three Japanese were wounded in the fighting this morning. Extent of Chinese casualties are not yet obtained.

Five. Regardless of which side may have fired the first shots, the Japanese military were inviting trouble by maneuvering so near to a regular stationed Chinese garrison during a period of tense feeling. The wonder is that the incident has not occurred long before now.

Repeated to Nanking, Shanghai and Tokyo.

JOHNSON

WWC:KLP

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

45-1

FE

DDM

TELEGRAM RECEIVED

PEIPING via N. R.

1-1336

FROM Dated July 9, 1937

Rec'd 10:40 a.m.

Secretary of State
Washington

COPIES SENT TO
U.N.I. AND M.I.D.



213, July 9, 5 p.m.

793.94

Embassy's 211, July 9, 3 p.m. / 8688

One. Three responsible Americans who were in the vicinity of Wanpingsien early this afternoon report that withdrawal of Japanese troops from the east bank of the river is in progress, with some two to three hundred now on the main road to Peiping at a point perhaps three miles this side of Wanpingsien. Two of these observers believe that some Japanese troops have retired toward Fengtai. Two observers state that fifty Japanese soldiers are still near the east bank of the river as a rear guard of some sort. According to these informants, some Chinese troops have not yet evacuated the town of Wanpingsien. With these movements, the situation has considerably eased.

Two. No (repeat no) trains have left or entered Peiping today except on the Peiping-Suiyuan Line. It is reliably reported that the Peiping authorities removed some railway track on the Tientsin-Peiping Line last night just south of the Peiping City Wall in order to prevent the possible approach of Japanese forces.

Three.

793.94/3690

FILED

JUL 13 1937

F/FG

179
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

45-2

-2- No. 213, July 9, 5p.m. from Peiping

THREE. Information with regard to casualties and
possible future political settlement is not yet obtainable.

Repeated to Nanking, Shanghai and Tokyo.

JOHNSON

RR

WHC

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

46-1

DDM

TELEGRAM RECEIVED

SPECIAL GRAY AND GRAY

NANKING via N. R.

Dated July 9, 1937

FROM

Rec'd 7:23 a.m.

1-1336

Secretary of State
Washington

COPIES SENT TO
O.N.I. AND M.I.D.



257, July 9, noon.

Embassy's July 9, 11 a.m. /8687

793.94

One. Japanese Embassy spokesman here has told foreign newspaper correspondents here that (1) a truce was arranged at 5 o'clock this morning providing, as a preliminary measure, for the withdrawal of both Chinese and Japanese forces; (2) withdrawal by both sides began but later Chinese reopened fire upon the retiring Japanese troops; (3) fighting ceased again at 7 a.m.; (4) the Japanese Embassy is still optimistic that some machinery for a settlement can be set up in the course of today.

Two. The Foreign Office official cited in our telegram under reference just telephoned that the Japanese have not states (repeat not) occupied Lukouchiao which he/is still occupied by Chinese troops, and that upon the appearance of Chinese reinforcements in the vicinity this morning the Japanese troops withdrew several kilometres.

Three. Sent to the Department, Peiping, Tokyo, by courier to Shanghai.

PECK

KLP
HPD

793.94/8691

FILED

F/FG

JUL 13 1937

779
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

47-1

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

July 8 '37

~~W. H. H.~~

~~S. K. H.~~

Col. Bratton, U.S.D.,
called and handed me
the attached copy of a
message from the
Military Attache. A
telegram from the Embassy
is now being decoded.

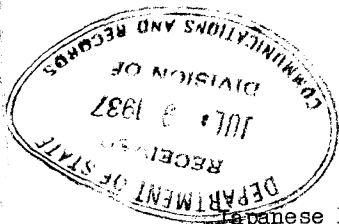
tel. m.

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

47-2

State

FAR EASTERN SECTION, G-2



Paraphrase of Radiogram dated July 8, 1937
from the Military Attache, Peiping.

Elements of the 29th Army Corps clashed with elements of the Japanese North China Garrison 3:00 a.m., while latter were engaged in night maneuvers at Lukouchiao some eight miles southwest of city of Peiping. Chinese troops retired to the town pursued by artillery and small arms fire from Japanese force. Both sides suffered casualties. At 10:00 a.m. firing ceased. No indication at present that hostilities will spread.

793.94

793.94/8692

Note: The 29th Army Corps is nominally under control of the Central Govt. Actually it is commanded by General Sung Che-yuan, chairman of the Hopei-Chahar Political Council. Elements of this force known to be in Hopei are as follows:

37th Division	Paoing	12,000
38th "	Tientsin	9,000
132nd "	Peiping	8,000
13th Ind. Brigade	Kaopeitien	3,000
26th " "	Tsangchow	3,000
1st Cavalry Brigade	Chochow	2,000
Special Service Regt.	Peiping	1,600
Training Corps	Peiping	1,200

R. S. Bratton
R.S. Bratton
Lieut. Col., Infantry

F/FG

4

779
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

48-1

EE

TELEGRAM RECEIVED

LMS

1-1226

GRAY and SPECIAL GRAY

FROM
Peiping via N. R.

Dated July 10, 1937

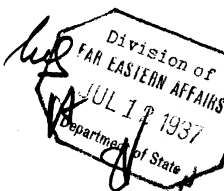
Rec'd 7 a. m.

COPIES SENT TO
G.N.I. AND M.J.D.

Secretary of State,
Washington.

214, July 10, 1 p. m. /8690

Embassy's 213, July 9, 5 p. m.



793.94/3693

One. The situation is rather less favorable at present than seemed to be the case at the time of the despatch of the above-mentioned telegram. Some 200 Japanese troops remain in the vicinity of Wanpingsien. Japanese and Chinese officials indicate that they will remain there until a final settlement is reached, although Sung Che Yuan's troops have all withdrawn to the west of the river.

Two. These Japanese troops in their present location now strategically control a part of the Peiping-Hankow railway. It is not (repeat not) known whether they intend to retain this control. (By the increase of their garrison at Fengtai in 1935 the Japanese gained strategic control of part of the Peiping-Mukden and Peiping-Shanghai railway and a branch line of the Peiping-Hankow line.)

Three. Shih Yu San is the commander of the peace preservation

JUL 18 1937

F/EG

7790
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

48-2

LMS 2-No. 214, July 10, 1 p. m., from Peiping.

preservation troops which have taken over Wanpingsien.
Although now holding an official position under Sung
Che Yuan, his record of loyalty is not (repeat not) good
and he might be expected to play into the hands of the
Japanese.

Repeated to Nanking, Shanghai and Tokyo.

JOHNSON

RR

0796

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

49-1

TELEGRAM RECEIVED

793.94

LMS

1-1236

SPECIAL GRAY

FROM
Peiping via N. R.

Dated July 10, 1937

Rec'd 10:20 a. m.

Secretary of State,
Washington.

COPIES SENT TO
G.N.I. AND M.I.D.



215, July 10, 4 p. m. 18679

Embassy's 200, July 10, 1 p. m. 8693?

214 ?

One. The Naval Attache and Assistant Military Attache returned at noon from Wanpingsien. They report that Japanese troops are no longer on the Peiping-Hankow Railway and that the only Japanese troops visible are some fifty which are stationed some distance on the road to Peiping east of the east gates of Wanpingsien; that is, the town is between them and the river and Marco Polo bridge. They are of the opinion that the other Japanese troops have returned to Fengtai. They report that Sung's men are all west of the river and that Wanpingsien is garrisoned by peace preservation corps.

Two. Evidence is increasing that the casualties on both sides were considerable and that the Japanese casualties were much larger than officially admitted.

Repeated Nanking, Shanghai and Tokyo.

JOHNSON

RR

793.94/8694

F/FG

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

0797

50-1
1

FE

ML

TELEGRAM RECEIVED

GRAY

Peiping via N. R.

Dated July 10, 1937

Rec'd 5:40 p. m.

1-1336

FROM

Secretary of State

Washington

216

July 10, 9 p. m.

Embassy's 215, July 10, 4 p. m.

COPIES SENT TO
O.N.I. AND M.I.D.

Per. 5 not sent

Division
FAR EASTERN AFFAIRS
JUL 12 1937
Department of State

8694

One. A Japanese force of about 1000 men has arrived this afternoon from Fengtai and taken positions around Wanpingsien. Japanese state that Chinese have failed to fulfill agreement to evacuate Wanpingsien and that they propose to compel fulfillment.

Two. Firing began at about five p. m. Japanese may believe the movement necessary to preserve their honor which they probably feel was damaged by their losses of the past two days. They may also be angered by the attitude of the Chinese in respect to negotiations for a settlement as the Mayor of Peiping is reliably quoted as saying that the Chinese side will refuse anything other than a return to the status quo ante; that is, the stationing of three companies of the Twenty-ninth Army in Wanpingsien and of one company at each end of Marco Polo Bridge.

Three

793.94/3695

FILED
JUL 12 1937

F/FG

793.94

0798

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

50-2

ML -2- July 10, 1937 5:40 p. m. from peiping via N.R.

Three. The train service which was partially resumed this morning has again been suspended.

(END OF SECTION ONE)

JOHNSON

EMB:RGC

50-3

TELEGRAM RECEIVED

MG

1-1336

FROM

This telegram must be closely paraphrased before being communicated to anyone. A

Peiping

Dated July 10, 1937

Rec'd 10:15 p.m.

Secretary of State,

Washington.

COPIES SENT TO
U.N.I. AND M.I.D.

216, July 10, 9 p.m. (Section two). *Per. in paraphrase. Per. must sent. Jmc*

Four. Chinese report that Japanese troops are coming through pass of the Great Wall. I have just had a conversation with my French colleague who expresses himself as being pessimistic of the future. He says and I am inclined to agree with him that, whether or not the incident at Marco Polo Bridge was planned by Japanese military, the Japanese military may conclude that in view of recent ~~diminution~~ of their influence here, they cannot afford now to retreat and will use the present situation as an excuse for military movements intended to settle the Hopei-Chahar question once and for all in their favor. He informed me also that he had received a telegram from his Consul at Mukden stating that a force had been despatched from that place.

Five. We discussed recommending to our respective Governments the making of representations at Tokyo and Nanking for moderation. I expressed the opinion that
while

0800
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

58-4

MG

Page 2,
#216 from Peiping

while I saw no harm in doing this I believed it would be
useless.

Repeated to Nanking, Shanghai and Tokyo.

JOHNSON

RR

WWC

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)

50-5

PARAPHRASE

CONFIDENTIAL

The pertinent portion of Section two of a telegram (No. 216) of July 10, 1937, from the American Ambassador at Peiping reads substantially as follows:

Japanese troops are coming through a pass in the Great Wall, according to reports from Chinese sources. In conversation with the American Ambassador the French Ambassador spoke pessimistically with regard to the future. The French Ambassador is of the opinion, in which the American Ambassador concurs, that, regardless of whether the Japanese military planned the incident at Marco Polo Bridge, they may decide they cannot afford to retreat now, in view of the recent lessening of their influence in North China, and will make use of the recent incident as an excuse for military movements meant to settle in their favor once and for all the Hopei-Chahar question. The French Ambassador has received from the French Consul at Mukden a telegram to the effect that a force had been sent from there.

793.94/8695

EJC.
 FE:EGC

KH
 FE

WMM/V

VII-12-37

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

51-1

FE

TELEGRAM RECEIVED

JR

GRAY

1-1336

FROM

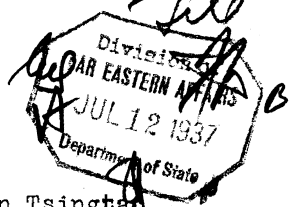
Tsingtao via N R

Dated July 10, 1937

Rec'd 11:50 a.m.

Secretary of State,
Washington.

COPIES SENT TO
O.N.I. AND M.I.D.



July 10, 10 a.m.

Japanese Ambassador Kawagoe arrived in Tsingtao yesterday. Local Japanese newspaper states that Ambassador stated that "With reference to North China clash it is highly desirable that this unfortunate affair should be settled on the spot in an amicable manner as soon as convenient; it is unfortunate that such a clash should occur in North China, a region where attempts are being made to attain Sino-Japanese cooperation".

As to a readjustment of Sino-Japanese political relations the Ambassador is quoted as having stated "No atmosphere for a thoroughgoing readjustment exists. The creation of an atmosphere in which a genuinely thorough readjustment is capable of achievement is a preliminary to negotiations for readjustment".

SOKOBIN

LJV:HPD

793.94/3696

F/FG

780

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

52-1

FE

TELEGRAM RECEIVED

LMS

1-1336

PLAIN, GRAY, AND SPECIAL GRAY

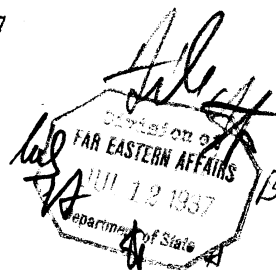
FROM
Nanking via N. R.

Dated July 10, 1937

Rec'd 8 a. m.

Secretary of State,
Washington.

COPIES SENT TO
O.N.I. AND M.I.D.



258, July 10, 10 a. m.

Our 257, July 9, noon. /8691

One. A responsible official of the Foreign Office states that the following is the official version of a call by the Counselor of the Japanese Embassy here yesterday afternoon upon the Administrative Vice Minister for Foreign Affairs as published last evening by the semi-official Central News Agency.

(PLAIN) "Nanking, July nine: Calling at the Foreign Office this afternoon, Mr. S. ^{Shidaka} Hidaka, Counselor of the Japanese Embassy, declared that Japan wished to reserve to herself the right of making whatever legitimate demands she may think fit in connection with the clash between Chinese and Japanese troops at Marco Polo Bridge early yesterday morning.

However, this reservation was rejected by Minister Chen Chieh, Administrative Vice Minister of Foreign Affairs, who pointed out to the Japanese diplomat that the Chinese side was not responsible for the incident.

The Japanese

793.94/3697

FILED
JUL 13 1937

F/FG

066

0804

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

52-2

LMS 2-No. 258, July 10, 10 a. m., from Nanking.

The Japanese reservation was a retort to the verbal Chinese protest over the incident conveyed by an official from the Waichiaopu to Mr. Hidaka yesterday afternoon. In that protest China reserved to herself the right of making legitimate demands relating to the conflict afterward". (END PLAIN)

Two. Wang Chung Hui returned from Kuling yesterday afternoon by plane following a conference there with Chiang Kai-Shek concerning the incident. Political Vice Minister Hsu Mo is remaining in Kuling for the time being. According to press reports, the Japanese Ambassador yesterday while at Tsingtau received instructions from Tokyo to proceed to Nanking.

Three. The informant states that Hidaka will see Wang today.

Four. Sent to the Department and Peiping. By mail to Shanghai, Tokyo.

PECK

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

53-1

ML

TELEGRAM RECEIVED

Peiping via N. R.

1-1336

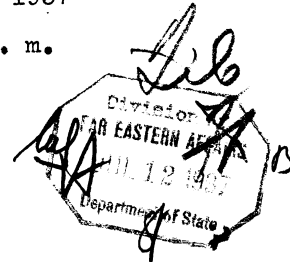
Dated July 11, 1937
FROM

Rec'd 11:20 a. m.

Secretary of State

Washington

COPIES SENT TO
U.N.I. AND M.I.D.



218, July 11, 10 p. m.

Following from Mukden.

"July 11, 4 p. m. I have just learned from Japanese military here that traffic between Mukden Tientsin has been suspended, I assume in order to clear line for military use.

"Repeated to Tokyo.

JOHNSON

RR:WWC

793.94/3698

JUL 13 1937

F/FG

0806

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
GRAY

ML

Peiping via N. R.

FROM
Dated July 11, 1937

Rec'd 11:20 a. m.

793.94

1-1330

Secretary of State
Washington

COPIES SENT TO
U.N.I. AND M.I.D.

ALL
EASTERN AFFAIRS
JUL 12 1937
Department of State

220, July 11, 11 p. m.

Embassy's 218, July 11, 10 p. m.

The following telegram has been received from
Tientsin.

"July 11, 7 p. m. Following telegram has been received from Mukden. (Mukden's July 11, 4 p. m. to Embassy). I have replied that traffic has not been suspended between Tientsin and Shanbhikuan and that no Japanese troops from Manchuria have arrived at Tientsin."

Repeated to Nanking and Shanghai.

JOHNSON

RR

793.94/3699

FILED
JUL 18 1937

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

54-1

FE

TELEGRAM RECEIVED

Division of
 FAR EASTERN AFFAIRS
 JUL 12 1937
 Department of State

79394

1-1336

FROM

MG

GRAY

Nanking via N.R.

Dated July 10, 1937.

Rec'd 6:06 p.m.

Secretary of State,
 Washington.

COPIES SENT TO
 J.N.I. AND M.I.D.

260. July 10, 2 p.m. /2699

Our July 10, 10 a.m. and third paragraph, July 10,
 11 a.m.

One. Hidaka called on Wang before noon. We are
 (that?) (one?)
 informed by a reported to be reliable source the two
 Hidaka (under instructions from his Government) and Wang
 expressed to each other the hope that the incident would
 be brought speedily to an amicable settlement, and (two)
 Hidaka expressed on behalf of his Government the further
 hope that the Chinese Government would take whatever steps
 might be required to prevent any recrudescence of anti-
 Japanese feeling as a result of the incident.

Two. To the Department, Peiping and Tokyo. By mail
 to Shanghai.

PECK

EMB

RGC

793.94/8700

FILED

JUL 18 1937

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

1808

D

GRAY AND SPECIAL GRAY

Peiping, via N. R.
TELEGRAM RECEIVED

Dated July 11 1937,

Rec'd 9:00 A. M.
FROM

1-1236

Secretary of State,
Washington.

COPIES SENT TO
U.N.I. AND M.I.D.

Division of
FAR EASTERN AFFAIRS
JUL 12 1937
Department of State

217, July 11, 3 p. m.

Embassy's 216, July 10, 9 p. m. /8695-

One. The Japanese Embassy states that there was heavy fighting before midnight last night in the vicinity of Marco Polo Bridge; that six Japanese were killed and eleven wounded; that there were about one hundred Chinese casualties (although some Chinese reports claim losses on both sides were much heavier); that there has been no (repeat no) fighting today; and that negotiations are in progress without much hope for success on the Japanese side because "the Chinese are evasive and will not assume responsibility for the affair".

Two. According to a Chinese official source, heavy fighting ended as a result of a tacit agreement. This official stated that settlement of the present conflict would now be difficult to achieve locally and it was anticipated that any conclusive arrangement would have to be effected at Nanking.

Three. The town of Wanpingsien and Marco Polo Bridge have not (repeat not) been taken by the Japanese. ^{Eyewitness} ~~Japanese~~ report the digging of trenches by Chinese in the area immediately west of Peiping.

Four.

793.94/3701

FILED
JUL 18 1937

F/FG

0805

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

53-2

2/Peiping, No. 217, July 11, 3 p. m.

Four. The Consul at Tsinanfu reports by despatch that it was decided early this month, after an exchange of several communications between Han Fu Chu and Chiang Kai Shek, that Han should not (repeat not) go to Kuling in view of the then existing tensivity in the North China situation. The Consul further stated that active measures for the construction of defense works around Tsinanfu and perhaps in other parts of Shantung were then in progress. There are unconfirmed reports that Shantung troops are moving Hopei and that National Government troops are moving north along the Peiping-Hankow Railway into Hopei from Shansi. According to a Chinese official, National Government troop trains have entered Paoting supported by forty planes.

Five. According to a Japanese closely associated with the military, Lieutenant General Kozuki, will arrive shortly to conduct negotiations. We identify him as the Kozarki who was appointed Commander of the Imperial Guard, after the February 26th assassinations.

Repeated to Nanking, Shanghai and Tokyo.

JOHNSON.

HPD

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

56-1

TELEGRAM RECEIVED

D

GRAY

Nanking, via N.R.,
FROM
Dated July 10 1937,
Rec'd 4:25 P. M.

1-1336

Secretary of State,
Washington.

COPIES SENT TO
O.N.I. AND M.I.D.



793.94/8702

259, July 10, 11 a. m.

Our 258, July 10, 10 am. /8697

One. Hidaka last night told an American news

correspondent that the Central News Agency account of his yesterday afternoon's interview with Chen Chieh was not (repeat not) strictly accurate. He said that, (one), the Foreign Office had not actually lodged a protest with the Embassy July 8 but merely requested that steps be taken to cause cessation of hostilities; (two), yesterday he himself made no (repeat no) protest and told Chen that he did not (repeat not) wish to and would not (repeat not) do so unless the Chinese protested; (three), if the War Office protests were not (repeat not) filed the incident could be localized and not (repeat not) become an issue between the two Governments; and, (four), it was the desire of the Japanese Government that it be settled amicably by officials in the North as a local matter.

Two. To the Department, Peiping, Tokyo. By mail to Shanghai.

PECK.

WWC

FILED
JUL 22 1937

F/FG

57-1

EE

TELEGRAM RECEIVED

D

1-1336

PLAIN AND SPECIAL GRAY

FROM
Peiping, via N. R.,

Dated July 11 1937,

Rec'd 11:20 A. M.

Secretary of State,
Washington.

COPIES SENT TO
U.N.I. AND M.I.D.

Division of
EASTERN AFFAIRS
JUL 12 1937
Department of State

219, July 11. / 8701

Embassy's 217, July 11, 3 p. m.

One. Reuter publishes late this afternoon despatch under Tientsin date line that "Japanese military headquarters at Tientsin state that the total Japanese casualties in the Wanping area since fighting began on Wednesday-Thursday night are eighteen killed and forty wounded".

Two. The same release states that "four demands are being presented to the Chinese authorities by the Japanese in consequence of the incidents in the Wanping area. They are: (one), the withdrawal of Chinese troops from the vicinity of Marco Polo B ridge. (two), punishment of those responsible for the incidents. (three), adequate control of anti-Japanese activities in North China. (four) enforcement of anti-Communist measures.

Three. An official of the local Japanese Embassy stated to this Embassy that he believes an agreement is near.

JOHNSON.

HPD

793.94/3703

JUL 12 1937

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

58-1

JR

TELEGRAM RECEIVED

Tokyo

1-1336

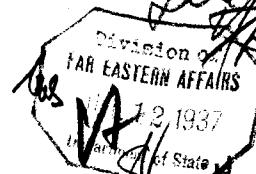
FROM

Dated July 12, 1937

Rec'd 3:43 a.m.

Secretary of State,
Washington.

COPIES SENT TO
O.N.I. AND M.I.D.



793.94

189. July 12, noon.

The Embassy was informed this morning by an official of the Information Bureau of the Foreign Office that prospects are favorable for local settlement of the tense situation which arose from the clashes between Chinese and Japanese troops at Lungwangmiao on the night of July 10 and in the early morning of July 11. While the Foreign Office has received no official confirmation that an agreement has been reached between the Chinese and Japanese authorities on the spot it has reason to believe that a satisfactory agreement for the withdrawal of the Chinese and Japanese troops from the scene of action will be reached shortly as the Foreign Office received reports last night that the negotiations were progressing favorably and as no serious clashes have occurred since the early morning of July 11.

The Foreign Office official described matters as follows: The situation resulting from the original Lukowkiao clash appeared to be clearly settled on the evening of July 9; hence the attacks by the Chinese at

Lungwangmiao

793.94/8704

FILED
JUL 18 1937

F/FG

181

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

58-2

-2-

JR #189, July 12, noon, from Tokyo.

Lungwangmiao came as a complete surprise to the Japanese troops, who were in the act of withdrawing from the river, and to the authorities in Japan; the situation today seems more hopeful than yesterday when the Japanese Government was considerably concerned; the War Office has decided "in principle" to despatch reinforcements to the Peiping area from Manchuria, Korea and Japan proper; however these reinforcements will not be sent unless further clashes occur. The Foreign Office informant states that everything now will depend on whether a local agreement is reached by the negotiators and respected by the Chinese troops and whether the Chinese military authorities will be able to restrain those elements of the 29th Army in which anti-Japanese feeling has been engendered by the Blue Shirts. The informant stated further that the development which had caused most concern to his Government was the report that four divisions of the Chinese army had been ordered by the Nanking Government to mobilize and to move northward; that the movement of these divisions and the flight of Chinese airplanes northward had been confirmed; that in the Foreign Office's belief the Chinese reinforcements from the South would not be moved into Hopei Province as long

as

7814
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

58-3

-3-

JR #189, July 12, noon, from Tokyo.

as any hope remained for local settlement of the recent
clashes.

The Embassy has checked Domei's translation of the
statement issued by the Cabinet on the North China
situation last night and found it to be substantially
correct.

Repeated to Peiping.

GREW

HPD

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

59-1

JR

GRAY
TELEGRAM RECEIVED
Tokyo

1-1336

FROM

Dated July 12, 1937

Rec'd 9:25 a.m.

Secretary of State,
Washington.

COPIES SENT TO
U.N.I. AND M.I.D.



191. July 12, 8 p.m.

My 189/8704 July 12, noon; and 190, July 12, 7 p.m.

One. Information received at 6 o'clock this evening from the Foreign Office is to the effect that further fighting occurred this morning near Peiping. Although no casualties were incurred by the Japanese forces during the latest engagement, the Foreign Office emphasizes that the initiative in this case was also taken by the Chinese forces and that, as the Chinese have breached the written agreement of settlement as well as the oral settlement, the Japanese military authorities are taking a serious view of the situation.

Two. I have thus far refrained from making inquiries in person at the Foreign Office, for the reason that it seems wise to avoid giving the Japanese press occasion for misinterpreting the purpose of my visit.

Three. All efforts by the Military Attache to interview liaison officers and others at the War Office have failed on the excuse that they are too busy but he has made an engagement to call tomorrow morning.

Four.

793.94/3705

JUL 12 1937

F/FG

0846
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

59-2

-2-

JR #191, July 12, 8 p.m., from Tokyo.

Four. The Emperor this afternoon interrupted his summer stay at the sea shore and returned to Tokyo.

Repeated to Peiping.

GREW

RR:WWC

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

081

60-1

EE

JR

TELEGRAM RECEIVED

SPECIAL GRAY and GRAY

Peiping via N R

1-1336

FROM

Dated July 12, 1937

Rec'd 6 p.m., 11th.

Secretary of State,
Washington.

COPIES SENT TO
U.N.I. AND M.I.D.



773.94

221. July 12, 1 a.m.

Embassy's 219, July 11, 10 p.m.

One. An official of the Japanese Embassy states that an agreement was signed at 8 p.m., today between responsible military officials providing that: (one), apology by high officers of the 29 army; (two), punishment of the officers of that army responsible; and (three), guarantee of non-recurrence. The Peiping Mayor is reported to have announced for publication, between 8 and 8:30 p.m., that a peaceful settlement had been reached, it being agreed that: (one), the troops of both sides should withdraw to their original lines; (two), both sides should express regrets for the lives lost; (three), steps would be taken to prevent a recurrence of such incidents in future. According to the announcement, the major part of the Japanese forces had already been withdrawn.

Two. The mayor's announcement is reported to have been withdrawn about 11 p.m., "because of difficulties".

Three. Firing was audible in Peiping between 10 and 10:30 p.m. A Japanese official claimed that this firing

793.94/3706

FILED
JUL 13 1937

F/EG

0818

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

60-2

-2-

JR #221, July 12, 1 a.m., from Peiping via N. R.

firing was done by Chinese troops several miles to the north of Marco Polo Bridge, not (repeat not) in contact with Japanese troops, who allegedly are not involved in this new development. The agreement, he held, was still valid. A Chinese official source alleged that the Japanese had broken the reported agreement, which had required their withdrawal, and had renewed attack about 10:15 p.m. He stated that four trains of troops were headed for Fengtai from Mukden and that one of these, with 77 cases of ammunitions had already arrived.

Repeated to Tokyo, Hanking and Shanghai.

JOHNSON

HPD

7815
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

61-1

FL

TELEGRAM RECEIVED

JR

GRAY

1-1336

FROM

Peiping via N R

Dated July 12, 1937

Rec'd 9:35 a.m.

Secretary of State,
Washington.

COPIES SENT TO
U.N.I. AND M.I.D.



793.94

224. July 12, 4 p.m.

Embassy's 223, July 12, 3 p.m.
at

One. The Consul General/Tientsin has just telephoned that large numbers of Japanese troops are arriving at intervals at East Station Tientsin and are going into barracks at Tientsin. He states that the Shanghai express from the South arrived at 1 p.m., today, stopped at West Station Tientsin, and will proceed no (repeat no) further.

Repeated to Nanking, Shanghai and Tokyo.

JOHNSON

KLP

793.94/8707

FILED
JUL 18 1937
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

62-1

TELEGRAM RECEIVED

MJD

2 copies to
OFFICE OF THE ADVISER ON
INTERNATIONAL ECONOMIC AFFAIRS
JUL 13 1937 HF
DEPARTMENT OF STATE

Treas'y

GRAY

FROM Shanghai via N. R.

Dated July 12, 1937.

Rec'd. 9:58 a. m.

Secretary of State,
Washington.

COPIES SENT TO
U.N.I. AND M.I.D.

Division of
FAR EASTERN AFFAIRS
JUL 12 1937
Department of State

351, July 12, 11 a. m.

Shanghai banking circles which exhibited composed

attitude last week, alarmed by the repeated reports of
settlements and resumption of fighting near Peiping are
now apprehensive. Exchange weakened this morning on
merchant buying orders but later firmed without assistance
from Central Bank. Government bond market which dropped
and recovered losses, shortly after opening this morning
closed automatically on a market drop of \$4.00. Shanghai
attitude may be summarized as hoping for a settlement
but apprehensive that it may not be attained. Japanese
flagship ~~ITZUMU~~ IDZUMU arrived Shanghai this morning.

Sent to Peiping and by mail to Nanking.

GAUSS

WWC
KLP

793.94/3708

FILED
JUL 16 1937
F/FG

1821

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

KE

TELEGRAM RECEIVED

mjd

GRAY

1-1336

FROM Shanghai via N. R.

Dated July 12, 1937.

Rec'd. 9:40 a. m.

Secretary of State,
Washington.

COPIES SENT TO
O.N.I. AND M.I.D.

File
Division of
Far Eastern Affairs
JUL 12 1937
Department of State

793.94

353, July 12, 5 p. m.

Japanese and foreign press reports in Shanghai state that two Japanese divisions are on the high seas en route to North China, destination presumably Tientsin, while a division of the Kwangtung army is said to have arrived at Shanhaikwan. Reputable Chinese source reports that four divisions of Central Government troops are moving up the Peiping-Hankow railway toward the Peiping area.

Repeated to Peiping and the Department, by mail to Nanking.

GAUSS

KLP

JUL 13 1937
RECEIVED

793.94/8709

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

63-1

TELEGRAM RECEIVED

JR

This telegram must be _____
closely paraphrased be-
fore being communicated
to anyone. (A)

Nanking

Dated July 12, 1937

FROM

Rec'd 6:43 a.m.

Secretary of State

Washington.

262. July 12, 9 a.m.

Our 261, July 10, 2 p.m.

STRICTLY CONFIDENTIAL.

paraphrase
COPIES SENT TO
U.N.I. AND M.I.D.
3mc

file 29C

Division of
FAR EASTERN AFFAIRS
JUL 12 1937
Department of State

I asked the Chinese Minister of War July 11, 6 p.m., whether he thought recent events would develop into a war and he replied that this decision rested entirely with the Japanese; confronted with their "bandit methods" the Chinese could only resist. I inquired whether if war could not be avoided the Chinese Government would not prefer even at a sacrifice to postpone it for one or two years in order to complete preparations. He replied that it would be difficult ever to say that preparations were complete and that although China was very unwilling to fight, it would do so at once if Japan decided on war. He said that neither Wanpingshien nor the Bridge would be surrendered. He expressed a firm belief that the Japanese planned in advance occupation of these points and suggested that perhaps the Kwantung army, and especially Itagaki, Chief of Staff, in precipitating the incidents beginning July 7 midnight had acted without (repeat without) sanction of the Japanese Government.

Questioned

793.94/3710

FILED

JUL 13 1937

F/FG

793.94

182

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

63-2

-2-

JR #262, July 12, 9 a.m., from Nanking.

Questioned regarding Chinese military measures and strategy he was evasive but he did deny emphatically that in the event of war there would be preliminary withdrawal to a line near the Yellow River. He disbelieved theory that Japan felt emboldened to provoke hostilities with China at this moment because of supposed disloyalty of Soviet forces in Siberia and insisted that the Soviet army is dependable in morale.

The Minister of War returned by plane July 10 from Szechuan where he had been nationalizing the different armies. He said satisfactory results achieved.

He complained of brain fatigue and I ascribed this to the exhausting heat and to prescribed complex and heavy responsibilities.

Sent to Peiping, Tokyo.

PECK

WWC: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)

63-3

PARAPHRASE

A strictly confidential telegram (No. 262) of July 12, 1937, from the American Embassy at Nanking reads substantially as follows:

Late in the afternoon of July 11, in reply to an inquiry from the American Counselor of Embassy (Peck), the Chinese Minister of War said that the decision as to whether recent incidents would result in a war lay with the Japanese entirely and that the Chinese, faced with the "bandit methods" of the Japanese, could only resist. The Counselor inquired also whether, if war must come, the Nanking Government would not rather, in order to complete preparations, postpone the war, even at a sacrifice, for a year or two. The Minister of War said that it would be hard to say at any time that preparations were complete and that if the Japanese Government decided on war China would fight immediately although very unwilling to do so. He remarked that China would not surrender either the Marco Polo Bridge or Wanpinghsien and ^{he} was firmly of the opinion that occupation of these places had been planned in advance by the Japanese. He suggested that in bringing about the incidents which began at midnight of July 7 the Kwantung army, especially the Chief of Staff (Itagaki), may have acted without the Japanese Government's sanction.

The Minister of War was evasive with regard to Chinese military strategy and military measures but he was emphatic in denying that in case of war the Chinese would make a preliminary

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

63-4

- 2 -

liminary withdrawal to positions near the Yellow River. The Minister of War placed no belief in the idea that the Japanese had been encouraged to precipitate hostilities with China at the present time on account of supposititious disloyalty on the part of Soviet forces in Siberia and he was insistent in his belief that the morale of the Soviet troops is dependable.

The Minister of War complained of brain fatigue which the American Counselor attributed to prescribed heavy and complex responsibilities coupled with the exhausting heat.

On July 10 the Minister of War returned to Nanking from Szechuan Province where he had been nationalizing the various armies and had achieved satisfactory results, he said.

793.94/8710

89.C.
 FE:EGC

H48

FE

VII-13-37

0824

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

64-1

ML

GRAY AND SPECIAL GRAY

TELEGRAM RECEIVED

Peiping via N. R.

Dated July 12, 1937

FROM Rec'd 8:15 a. m.

1-1336

Secretary of State
Washington

COPIES SENT TO
G.N.I. AND M.I.D.



223, July 12, 3 p. m.

Embassy's 219, July 11, 10 p. m. and 221 July 12, 1 a. m.

One. Confirmation of reports of Japanese demands or Chinese agreement is unobtainable, ^{a Japanese} who is closely associated with Japanese military states that Lieutenant Colonel Matsui, Resident Officer in Peiping of the North China garrison, handed at 8 p. m. yesterday at Peiping to the Mayor of Tientsin a memorandum ^{calling for} (one) expression regret by Chinese responsible for the affair, ^(two) punishment of Chinese responsible, ^(three) withdrawal of Chinese forces from the vicinity of Marco Polo Bridge and ^(four) suppression of activities of Blue Shirts and Communists. According to this source, the Mayor of Tientsin acknowledged the receipt of the memorandum. The informant states that most of the Japanese troops have withdrawn from the area of fighting; a Japanese official states that some 200 ^{Japanese} ~~fresh~~ troops still remain in the area.

Two. The first mentioned source states that Sung Che Yuan and Kozuki are expected to arrive in Peiping this afternoon.

Repeated to Nanking, Shanghai and Tokyo.

HPD:GW

JOHNSON

793.94/3711

F/E G

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

65-1

JR

TELEGRAM RECEIVED

SPECIAL GRAY and GRAY

Peiping via N R

Dated July 12, 1937

Rec'd 11:10 a.m.

file
E.G.C.

793.94

1-1336

FROM

Secretary of State,
Washington.

COPIES SENT TO
G.N.I. AND M.I.D.

Division of
FAR EASTERN AFFAIRS
JUL 12 1937
Department of State

225. July 12, 6 p.m.

Embassy's 224, July 12, 4 p.m.

8707

WB
1-8-38

One. A Chinese official with good sources of information states that the Japanese demands are the same as outlined in the Embassy's 223, July 12, 3 p.m.; that as far as he is aware there are no others; that they have not been accepted; that the Chinese have demanded from the Japanese an apology, punishment, indemnity for destroyed property, and ^{Promise} ~~likewise~~ of non-recurrence; that these demands are, of course, unacceptable to the Japanese. The Embassy has been unable to obtain confirmation that an agreement had been made by the Chinese with the Japanese. Presumably negotiations are still in progress.

793.94/3712

Two. There are reports of uneasiness in Tungchow and the above official, who has good connections with that regime, claims that Yin Ju Keng and a few of his subordinates have fled to Shanhaikwan.

Three. Koreans in Peiping are frightened and are taking refuge in the places mentioned in the Japanese notice of measures to take in case of danger. (Reference paragraph

FILED
JUL 13 1937

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

65-2

-2-

JR #225, July 12, 6 p.m., from Peiping via N R,

paragraph 5 of Embassy's 222, July 12, 2 p.m.).

Four. The above mentioned official adds that the Kwangtung army has become so angered by the failure of Sung Che Yuan to comply with Japanese desires since he assumed power as the result of Japanese influence that it intends to fight. He believes there is some hope of Kozuki checking the more rabid military.

Five. Another Chinese official has just informed the Embassy that a truce has been reached to permit Sung Che Yuan to reply to the Japanese demands.

Repeated to Nanking, Shanghai and Tokyo.

JOHNSON

CSB:KLP

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

66-1

FE

ML

GRAY
TELEGRAM RECEIVED
Tokyo

Dated July 12, 1937

FROM
Rec'd 10:35 a. m.

Secretary of State
Washington

190, July 12, 7 p. m.
Embassy's 189, July 12, noon.

COPIES SENT TO
O.N.I. AND M.I.D.



file
E.G.C.

One. A Foreign Office official informed us this afternoon that the Cabinet had decided to despatch reinforcements to China and had requested the imperial sanction to do so in the event the agreement is not observed by the Chinese.

Two. In a conversation with a member of the Embassy staff at a luncheon given today by the Vice Minister for Foreign Affairs the latter confirmed the news that an agreement providing for the withdrawal of Chinese and Japanese troops from the Yungting River had been signed by the local negotiators last night. Horinouchi added that the higher officers of the 29th Chinese army would probably do their best to carry out the agreement but he expressed doubt as to whether they would be able to control certain elements among their troops.

Three. Kishi, the private secretary to the Minister for Foreign Affairs, stated to the same member of the Embassy staff that the clashes which occurred during the night of June 10 had resulted partly from the fact that both the Chinese

✓
10P
H. K. K. K.

793.94/8713

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

66-2

ML -2- July 12, 1937 10:35 a. m. Tokyo

Chinese and the Japanese soldiers had been ignorant of the exact terms of the oral agreements reached. He expressed the belief that now that the withdrawal agreement was in writing there would be less likelihood of future clashes.

Repeated to Paiping.

GREW

KLP:CSB

783

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

67-1

FE

ML

GRAY
TELEGRAM RECEIVED

Shanghai via N. R.

Dated July 12, 1937

FROM

Rec'd 9:50 a. m.

793.94

Secretary of State

Washington

352, July 12, noon.

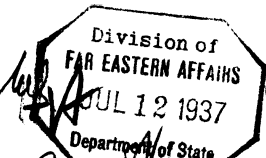
Reference Embassy's July 11, noon.

Shanghai reaction to the situation in the north has been surprisingly mild. The Chinese press places responsibility squarely upon the Japanese but has not indulged in any violent outburst. Chinese officials and merchants as well as Japanese officials appear hopeful that the situation in the north may be localized and settled. I am informed that the Acting Minister of War and garrison commander have received telegraphic instructions from Generalissimo Chiang to make every effort to prevent any incidents at Shanghai and to do their best to maintain peace and order. This is interpreted locally as indicating that the Generalissimo is desirous of localizing the incident and preventing aggravation of the situation.

Two. Chinese and Settlement authorities have taken usual precautionary measures and have slightly increased number of patrols in areas where Japanese reside. As a precautionary measure, Chinese authorities have suspended the celebrations in connection with the tenth anniversary of the establishment of the Shanghai City Government.

Japanese

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793.94/3714

FILED

F/FG

note
893.1028

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

67-2

ML -2- July 12, 1927 9:50 a. m., Shanghai via N.R.

Japanese naval landing party have increased number of patrols in one district but otherwise have taken no unusual steps. There have been no anti-Japanese demonstrations thus far. To Peiping and the Department to Nanking by mail.

GAUSS

KLP:CSB

68-1
FE
TELEGRAM RECEIVED

JR

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

Nanking

FROM

Dated July 12, 1937

Rec'd 10:20 a.m.

793.94
Secretary of State,
Washington.

paraphrase
COPIES SENT TO
O.N.I. AND M.I.D.
strictly confidential

263. July 12, 10 a.m.

Our 262, July 12, 9 a.m.

18710
STRICTLY CONFIDENTIAL.



One. We learn on reliable authority that Chiang Kai Shek, July 9, told a large gathering of officials at Kuling that he was despatching six divisions of troops to North China; according to another source he also stated that China would fight. This latter source states that several divisions will move up from Hankow on the Peiping-Hankow Railway and others on the Tientsin-Pukow Railways. The press reports troop movements north from Hankow.

Two. Competent observers here consider the situation one moving toward war; they point out that if the National Government should hold to the former plan of surrendering North China rather than resist Japanese aggression there the National Government's existence would be seriously jeopardized because (one) it is believed to have pledged resistance to Japan as part of the settlement of the Sian revolt and nonresistance would cause the alienation of the Communist forces in the northwest who are about to

be

793.94/3715

FILED

JUL 20 1937

F/FG

1834

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

68-2

-2-

JR #263, July 12, 10 a.m., from Nanking.

be incorporated into the Government's armies; (two) the southwestern irreconcilables, Pai Chung Hsi and Li Tsung Jen who render little more than lip service to the Government would presumably demand Chinese military action or a new government; (three) the position of the Suiyuan, Shansi and Shantung authorities would be endangered by extensive Japanese control in Hqpei and Chahar and they would also be expected to bring pressure upon the Government to make a stand.

Three. The general impression here is that the Japanese actions constitute a challenge which the National Government must take up energetically if it is to survive as the Government of a unified China; whether or not resistance will be effective would seem to depend in part for the time being upon the 29th Army of Sung Che Yuan who has reportedly reached Tientsin from Loling.

Four. To the Department, Peiping, Tokyo.

July 12, 4 p.m.

PECK

HPD

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

(STRICTLY CONFIDENTIAL)

68-3

STRICTLY CONFIDENTIAL

P A R A P H R A S E

A strictly confidential telegram (No. 263) of July 12, 1937, from the American Embassy at Nanking reads substantially as follows:

From a reliable source the Embassy has been informed that on July 9 General Chiang Kai-shek informed a large group of officials at Kuling that he was sending to North China six divisions of troops. From a different source it has been learned that General Chiang said also that China would fight and, according to this source, a number of divisions will move up from Hankow on the Peiping-Hankow Railway and other divisions will move on the Tientsin-Pukow Railway. According to newspaper reports, troop movements are proceeding north from Hankow.

The situation is regarded as moving toward war by informed observers in Nanking who are of the opinion that the existence of the Nanking Government would be seriously endangered if, instead of resisting Japanese aggression in North China, it should pursue its former plan of surrendering that area. These observers hold this opinion because (a) authorities of Shansi, Suiyuan and Shantung Provinces whose position would be jeopardized by extensive Japanese control in Chahar and Hopei would be expected to press the Nanking Government to make a stand; (b) Pai Chung-hsi and Li Tsung-jen (southwestern irreconcilables), who give little more than lip service to the Nanking Government, would also, it

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

68-4

- 2 -

it is assumed, demand military action by the Government or a new government; and (c) it is thought that, as a part of the settlement of the revolt in Sian, the Nanking Government pledged resistance to the Japanese and that the Communist forces in the northwest, who are about to be made a part of the Government's armies, would be alienated by non-resistance to the Japanese.

In Nanking it is generally felt that, if the Nanking Government is to continue as the government of a unified China, it must meet energetically the challenge offered by Japan's actions. It would seem that for the time being the effectiveness of resistance will depend partially upon the 29th army of Sung Che-yuan who is reported to have come from Loling to Tientsin.

793.94/8715

EGC.
 FE:E6C

KTB
FE

VII-13-37

183

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

69-1

FE

TELEGRAM RECEIVED

JR

This telegram must be _____
 closely paraphrased be-
 fore being communicated
 to anyone. (A)

Nanking

Dated July 12, 1937

Rec'd 10:30 a.m.

793.94

Secretary of State,
 Washington.

265. July 12, 3 p.m.

My 263, July 12, 10 a.m. /8715



One. An Australian press correspondent today telephoned Acheson asking his opinion regarding the results which would follow if the Chinese Government were to suggest to the British and American Governments the advisability of representations from them to the Japanese and Chinese Governments urging moderation in the present crisis. He observed that a favorable opportunity for such representations in the case of the British was presented by the present Anglo-Japanese conversations in London and that similar steps taken by the American Government in the past afforded a precedent.

Two. The correspondent named was Timperly, representing MANCHESTER GUARDIAN and CHRISTIAN SCIENCE MONITOR. Significance is given his inquiry by his known collaboration in drafting of the Foreign Office statement yesterday (see my 261, July 12, 8 a.m.) and his relations with Hu Shih and other leading intellectuals influential with the Foreign Office.

Three.

793.94/3716

FILED
 JUL 13 1937

FILED
 JUL 14 1937

F/FG

1838

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

69-2

-2-

JR #265, July 12, 3 p.m., from Nanking.

Three. Atcheson replied that he did not know what the reaction in Washington would be to such a suggestion and that he assumed the Chinese Ambassador in Washington knew by now how the ground lay.

Four. To the Department and Peiping. July 12, 6 p.m.

PECK

CSB:KLP

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

ML

GRAY AND SPECIAL GRAY

TELEGRAM RECEIVED

Peiping via N. R.

Dated July 12, 1937

FROM'd 11 a. m.

Secretary of State
Washington

COPIES SENT TO
O.N.I. AND M. E. D.

Division of
EASTERN AFFAIRS
JUL 12 1937
Department of State

222, July 12, 2 p. m.

Embassy's 221, July 12, 1 p. m.

One. There has been no (repeat no) firing for some hours. Train service has been partially resumed this morning. These developments seem to indicate an improvement in the situation.

Two. A Japanese Embassy secretary informed me this morning that Japanese troops were not (repeat not) involved (#) the firing which took place during the night and which occurred as a result of misunderstandings between Chinese. He claims that his Embassy has no (repeat no) information that the Mayor of Peiping withdrew his announcement of agreement having been reached last evening. His statement about firing is difficult to understand because some of the firing was heavy and prolonged.

Three. Hsiung Pin, who negotiated the Taugku truce, arrived in Peiping yesterday. According to a Chinese official and the Chinese press, Sung Che Yuan arrived in Tientsin yesterday. It is also understood that Lieutenant General Kozuki reached Tientsin yesterday evening. Major General Kawaki, commanding Japanese troops in Peiping and vicinity

793.94/3717

FILED

F/FG

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

70-2

ML -2- July 12, 1937 11 a. m. Peiping via N. R.

vicinity including Embassy guard, has moved his headquarters to Fengtai leaving commandant of American guard as senior commandant of Embassy guards. Developments may await negotiations by these and other leaders.

Four. There continue to be unconfirmed reports of Chinese troops arriving in Peiping moving toward Hopei from other provinces.

Five. A notice has been issued to Japanese residents of Peiping of measures to be taken for their safety in case of emergency.

Repeated to Nanking, Shanghai and Tokyo.

JOHNSON

KLP:GW

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

71-1

FE

TELEGRAM RECEIVED

JR

1-1336

PLAIN

FROM Nanking via N R

Dated July 12, 1937

Rec'd 1:25 p.m.

Secretary of State,
Washington.

COPIES SENT TO
U.N.I. AND M.I.D.

Division of
Far Eastern Affairs
JUL 13 1937
Department of State

261. July 12, 8 p.m.

One. Foreign Office spokesman last evening made following statement to the press:

"According to the reports received, the Japanese military have, in violation of the arrangement reached for the suspension of hostilities at Lukouchiao, refused to carry out the complete withdrawal of their troops to the designated points. They have maintained more than two hundred troops at Wulitien and have further effected a concentration of over one thousand men at Tawayao, both points being a little to the northeast of Lukouchiao.

Beginning from six o'clock p.m., yesterday (July ten) the Japanese troops have launched a series of fierce attacks on the Chinese soldiers at Lukouchiao. In the meantime large numbers of Japanese troops have been ordered to the Peiping Tientsin area from their stations both at home and in Manchuria, such military activities, indicating as they do that a large scale military campaign was contemplated, have further increased the tension

795.94/3713

FILED
JUL 13 1937

F/EG

084

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

71-2

-2-

JR #261, July 12, 8 p.m., Nanking via N. R.

tension brought about by the Lukouchiao incident. For this the responsibility rests solidly with the Japanese.

The Lukouchiao affair, it may be recalled, broke out late in the night of July seven, when a number of Japanese troops were engaged in illegal maneuvers at Lukouchiao. In the course of their war exercises the Japanese demanded to enter the walled city of Wanping for a search on the pretext that one of their men has been missing. How this could have happened is beyond comprehension.

Upon the demand being refused by the Chinese authorities, the Japanese immediately launched an artillery attack upon the city, thus giving rise to the outbreak of hostilities. It appears quite obvious that the Japanese troops acted in accordance with a preconceived plan.

It is to be pointed out here that the presence of foreign troops at Lukouchiao is without treaty sanction, and still less the holding of maneuvers there. The acting on the part of the Japanese troops is undoubtedly illegal. Acting in self defense, the Chinese troops at Lukouchiao have put up a stern resistance. At the same time the Foreign Ministry lodged a vigorous protest with the Japanese Embassy demanding the immediate cessation of military activities on the front of the Japanese troops
and

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

71-3

-3-

JR #261, July 12, 8 p.m., Nanking via N. R.

and reserving for China the right to make legitimate demands.

Meanwhile, the Chinese local authorities have been engaged in patient negotiations with the Japanese with a view to an early amicable settlement of the affair. Our firm determination and painstaking efforts to preserve the peace must be obvious to all impartial observers.

On the evening of July eight an understanding was reached by the two parties on the following --: (one) cessation of military activities on both sides; (two) withdrawal of troops on both sides to their original positions; and (three) Lukouchiao (bridge) to be guarded, as heretofore, by Chinese soldiers.

But unfortunately the tranquility thus restored was short lived. As indicated by subsequent developments, the Japanese military, instead of showing the least sincere efforts to bring about a peaceful settlement, appear to have entered into the understanding with no other object than that of gaining time to call up reinforcements from a fresh offensive.

The policy of China is, internally, economic reconstruction and, externally, the maintenance of peace. So far as our relations with Japanese are concerned our policy is to seek a peaceful settlement, through
 diplomatic

7844

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

-4-

71-4

JR #261, July 12, 8 p.m., Nanking via N. R.

diplomatic channels, of all outstanding issues on the basis of equality and reciprocity. Such being the case, the Chinese Government earnestly desires that the Japanese will immediately cease all military activities and, in accordance with the understanding previously reached, withdraw their troops from the scene of the conflict.

Furthermore, with a view to avoiding the possibility of future conflict, it is also to be desired that the Japanese will refrain from staging troops or holding military maneuvers in those parts of China where no foreign troops are allowed.

The carrying out of the above measures may be confidentially expected to bring about an improvement in the situation and facilitate the liquidation of the unfortunate affair. On the other hand, failure to take such action is likely to further aggravate the situation and increase the danger to the peace of Eastern Asia, in which everything the heavy responsibility will rest with Japan."

Two, Sent to the Department. By mail to Shanghai, Tokyo,

PECK

CSB

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

72-1

FE

TELEGRAM RECEIVED

MP

GRAY AND PLAIN

1-1336

FROM

Nanking via N.R.

Dated July 12, 1937

Rec'd 1:43 p.m.

Secretary of State,
Washington.

COPIES SENT TO
G.N.I. AND M.I.D.

Division
FAR EASTERN AFFAIRS
JUL 13 1937
Department of State

267, July 12, 5 p.m.

Our 265 July 12, 3 p.m.

One. According to a spokesman of the Foreign Office the following, which was published today by the semi-official Central News Agency is a correct account of a conversation held yesterday between Vice Foreign Minister Chen Chieh and the Counselor of the Japanese Embassy here:

Two. " Nanking, July 11 (central). Demand that he immediately cable the Japanese Government to order a cessation of Japanese military activities in North China was made today by Mr. Chen Chieh, Vice Minister of Foreign Affairs, upon Mr. Shidak, Counsellor of the Japanese Embassy here, in an interview at four o'clock this afternoon.

Mr. Chen enumerated the facts regarding the reinforcement of Japanese troops in the Peiping Tientsin area, pointing out that such action was completely contradictory to the professed desire of the Japanese Government and its diplomatic authorities in China

793.94/3719

REIN-
JUL 13 1937
FILED

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

72-2

MP

2-#267 From Nanking July 12, 5 p.m.

China to prevent any aggravation of the situation.

Replying, Mr. Hidaka said that the reported movement of Central Government troops northward has given rise to apprehension on the part of the Japanese troops.

Mr. Chen, however, assured Mr. Hidaka, that Chinese troops have no intention of provoking a war with the Japanese army.

Nevertheless Mr. Chen warned Mr. Hidaka that China does not tolerate any alien country arbitrarily increasing its garrison in China and infringing on her territorial sovereignty. If such action continues, Mr. Chen said, China will be forced to take defensive measures.

In conclusion Mr. Chen expressed the hope that the Japanese authorities will awake to the situation and take necessary steps not to aggravate the relations between the two countries".

Three. To the Department and Peiping. By mail to Tokyo.

CSB:HPD

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



THE WHITE HOUSE
WASHINGTON

JUL 22 1937

July 12, 1937

Acknowledged
By Form B
File # SS

Form B
e.g.c.
Acknowledged
By Form B
File # SS

RECEIVED
DEPARTMENT OF STATE

JUL 12 1937

DIVISION OF
COMMUNICATIONS
AND TRANSPORTATION

Respectfully referred to the State

JUL 28 1937

M. H. McINTYRE
Secretary to the President

793.94/3720

793.94



FILED
JUL 27 1937

F/FG

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

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

1201-S

CLASS OF SERVICE
This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

WESTERN UNION

SYMBOLS	
DL	Day Letter
NM	Night Message
NL	Night Letter
LC	Deferred Cable
NLT	Cable Night Letter
Ship Radiogram	

R. B. WHITE
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination.

Received at 708 14th St., N. W. Washington, D. C.

1937 JUL 12 AM 1 02

CA 18 44 NL 5 EXTRA=EVANSTON ILL 11

PRESIDENT ROOSEVELT=

WASHDC=

State

PLEASE ASK GREATBRITAIN TO JOIN YOU IN FRIENDLY MEDIATION
BETWEEN JAPAN AND CHINA PERIOD CHIANG KAI SHEK CLINGING TO
PEACE NEEDS SUPPORT IN RESISTING CHINESE PATRIOTS DEMANDING
WAR IN JUST CAUSE PERIOD BOXER PROTOCOL DOES NOT INCLUDE
NIGHT MANEUVERS=

LOUISE HAMMOND 418 HAMILTON ST EVANSTON ILL.

418.

793.94/8720

THE QUICKEST, SUREST AND SAFEST WAY TO SEND MONEY IS BY TELEGRAPH OR CABLE

0845
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

THE WHITE HOUSE
OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO AVOID
PAYMENT OF POSTAGE, \$300

ACK

State Department,

Washington, D. C.

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

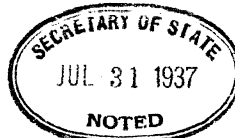
73-1

DEPARTMENT OF STATE
DIVISION OF FAR EASTERN AFFAIRS

July 22, 1937.

Mr. Welles ✓

S
Mr. Secretary:



I believe that you will be interested in noting the contents of the attached digest of a despatch from Peiping giving the views of a Japanese official on Sino-Japanese relations. These views are of special interest in that they indicate certain Japanese desiderata in reference to north China as expressed a month prior to the beginning of the present critical situation.

mmh
MMH:EJL

SKH

0851

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

73-2

DEPARTMENT OF STATE
DIVISION OF FAR EASTERN AFFAIRS

July 19, 1937.

~~MEMO~~
~~TO~~
~~FROM~~
~~SALT~~
Peiping's No. 1283, June 17, 1937, entitled "Views of a Japanese Official on Sino-Japanese Relations."

The following views on Sino-Japanese relations were expressed to the Embassy on June 13 by an officer of the Japanese Consulate at Tientsin:

(1) East Hopei should not be returned to Chinese control for the reason that its return would lead the Chinese to demand further and impossible concessions, including the return of Manchuria, with the result that a far worse situation would arise;

(2) Although the Japanese military would like to see an autonomous regime in the five northern provinces, they realize that any attempt to establish such a regime at the present time would be dangerous. At least half of the Japanese military hope that the present quiet period in Sino-Japanese relations will continue for another two or three years;

(3) The present drawback in Sino-Japanese relations may be overcome by General Sung Che-yuan's coming to some satisfactory agreement with the Japanese. General Sung desires such an agreement in order

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

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DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

-2-

order to protect his position which would be threatened if the National Government were able to increase its power and prestige in Hopei;

(4) In the early autumn of 1936, General Sung promised the Japanese economic cooperation but has delayed signing a number of Japanese-prepared agreements for such cooperation;

(5) The Japanese desire certain preliminary economic developments such as railway construction, iron mining, and cotton growing, in order to pave the way for Japanese industrial establishments;

(6) General Chiang Kai-shek desires to maintain the status quo in north China but the opposition of his subordinates makes this difficult. The Japanese prefer that Chiang become an absolute dictator; then he would be in position either to conciliate Japan or adopt positively an anti-Japanese policy.

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

73-4



EMBASSY OF THE
UNITED STATES OF AMERICA

No. 1283

Peiping, June 17, 1937.

Subject: Views of a Japanese Official on
Sino-Japanese Relations.

793.94

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UNITED STATES OF STATE
JUL 12 1937
MR. WELLES

793.94
Division of
FAR EASTERN AFFAIRS
JUL 13 1937
Department of State

793.94/8721

The Honorable

The Secretary of State,
Washington, D. C.

Sir:

793.94/8654

I have the honor to refer to my telegram No. 164
of June 10, 5 p.m., with regard to Sino-Japanese rela-
tions, and to submit the views on this subject of a
Japanese Consul at Tientsin, as expressed on June 13 to
a member of the Embassy. His views are of interest as
he is actively concerned with Sino-Japanese economic co-
operation, is regarded by his colleagues as exceptionally
able, and reflects in general the views of many other in-
telligent Japanese, with the exception that he is more
optimistic than they with regard to the future of Sino-
Japanese relations.

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

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- 2 -

The deadlock over the return of East Hopei:

As previously reported by the Embassy, the crux of the present deadlock in Sino-Japanese relations appears to be the question of East Hopei: Chinese insist that its return to Chinese control should precede economic cooperation and Japanese show little inclination toward following this course.

The Japanese official stated that, whereas he was formerly in favor of returning East Hopei to Chinese control, he is now opposed to it for the reason that its return would lead the Chinese to demand further and impossible concessions, including the return of Manchuria, with the result that a new situation far worse than the present would arise. When it was suggested that the leading Chinese were too realistic to attempt to recover Manchuria, he replied that General Chang Ch'un, when Minister for Foreign Affairs, stressed several times the importance of the return of Manchuria in any fundamental solution of Sino-Japanese relations. (In this connection it may be mentioned that a highly competent Japanese observer, who arrived in Peiping a few days ago after a month of investigation in Tokyo and another month in "Manchukuo", informed a member of the Embassy that, although 90 percent of Japanese favor in principle the return of East Hopei, it will not be returned to Chinese control because of the unfortunate effect the return would have on Chinese.)

The Japanese attitude toward the present situation:

The Japanese official expressed the usual Japanese

view

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

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view that Japanese would like the present period of quiet in Sino-Japanese relations to continue for another two or three years. This official believes that there will be no Japanese aggression to break such a period of quiet, claiming that half the Japanese military are agreed that there should be no further aggression against China. He added that, although the Japanese military would still like to see an autonomous regime of the five northern provinces, they realize that it would be dangerous for them to attempt to bring about its establishment.

The future breaking of the deadlock:

The informant doubts the soundness of the opinion of many Japanese that the present deadlock in Sino-Japanese relations will be broken by the precipitation of some sort of conflict arising out of a too forward movement on the part of over-confident Chinese who believe that Japan is retreating from her position in China. In his opinion the deadlock may be overcome by General Sung Che-yuan's coming to some satisfactory arrangement with the Japanese. The informant said emphatically that an important point in the present situation is General Sung's strong desire to settle the North China situation himself before the National Government can enhance its prestige and power at General Sung's expense by solving the situation directly with the Japanese. The informant believes that General Sung's primary motivation is the safeguarding and the improving

of

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

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of his position, that his lengthening stay in western Shantung is due to his hope that time will solve some of his difficulties before he returns to his post in Peiping, and that he may quite likely eventually enter into satisfactory arrangements with the Japanese. He does not believe that General Sung's subordinate officers would oppose such a course on the part of General Sung.

Sung Che-yuan's promise of economic cooperation:

The Japanese official stated that General Sung Che-yuan promised in the early autumn of 1936 in principle to cooperate economically with the Japanese, that Japanese experts subsequently made investigations and drew up by March, 1937, a number of economic agreements for General Sung's approval, but that General Sung had not yet given his approval to them because of the unfavorable situation which had developed by the spring of the present year.

Japan's aims with regard to economic cooperation:

According to the informant, Japanese desire first to achieve certain preliminary economic developments which will prepare the ground for the establishment of industrial enterprises. These preliminary developments include the construction of railways and other forms of communications, the mining of iron, and preparation for the growing of cotton. (Although he did not say so, the development of electric power is apparently also one of the desired preliminaries.)

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

73-8

- 5 -

The Shihkiachwang-Tientsin railway:

With regard to the proposed Shihkiachwang-Tientsin railway, the informant stated that capital for its construction is now available; that the railway will decrease by 30 percent the present length of haul of coal to Tientsin from western Hopei and Shansi; that the consequent reduction of cost of transportation will encourage increased production of coal; and that the question of Japanese participation in the exploitation of coal mines of western Hopei and Shansi is not yet important.

The attitude of Chiang Kai-shek toward North China:

In the informant's opinion, Generalissimo Chiang Kai-shek would like to maintain the status quo in North China but this is rendered difficult by actions of his subordinates which, done without the Generalissimo's knowledge, aggravate the situation. The informant referred to the issuing of such orders as that opposing the construction of the Shihkiachwang-Tientsin railway and to the increase in North China of the number and activities of "blueshirts". He expressed the wish that Generalissimo Chiang might become China's absolute dictator as then he would be in a position either to conciliate Japan wholeheartedly or to adopt positively an anti-Japanese policy.

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Respectfully yours,

Nelson Trusler Johnson

Nelson Trusler Johnson

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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

July 22, 1937.

~~NSM~~
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~~MMH~~

Peiping's No. 1285, June 18, 1937, entitled "Garrisoning of Chinese Troops in the Vicinity of Tsingtao" and enclosing copies of Tsingtao's No. 197, June 1, 1937, No. 200, June 5, 1937, and No. 201, June 11, 1937.

The correspondence refers to the 3,500 odd salt revenue guards (Chinese army troops) sent to Tsingtao a short time ago by the Ministry of Finance for the ostensible purpose of assisting in preventing the loss of revenue caused by salt smuggling. The question is, why were these guards sent to the Tsingtao area? It has been said that such a large number is not required to prevent smuggling. The Japanese have protested on the ground that they are a threat to Japan's interests in Tsingtao and on the further ground that they have molested Japanese and Korean nationals. The Consul at Tsinan suggests that they were sent to strengthen the Tsingtao Mayor in case the Japanese again land troops or marines as they did during the recent mill disturbances.

The Embassy opines that "whatever the motives of the National Government in increasing the strength of the so-called salt guards near Tsingtao and whatever the motives of the Japanese press in Tsingtao in publishing exaggerated reports, it may be expected that

the

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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

-2-

the situation created by the despatch of these troops will not become acute in the near future, partly for the reason that Japanese officials have shown in regard to various recent occurrences a desire that an aspect of quiet in Sino-Japanese relations be maintained."

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

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



EMBASSY OF THE
 UNITED STATES OF AMERICA
 Peiping, June 18, 1937.

No. 1285.

Subject: Garrisoning of Chinese Troops in
 the Vicinity of Tsingtao.

793.94

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W. H. S.
 Division of
 FAR EASTERN AFFAIRS
 JUL 13 1937
 Department of State

793.94/3722

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

Sir:

I have the honor to refer to my confidential
 despatch No. 1260⁸⁶⁷³ of June 3, 1937, with regard to
 the garrisoning of Chinese troops (known as the 5th
 Regiment of the Ministry of Finance Customs Preven-
 tive Troops) in the vicinity of Tsingtao and Japanese
 reaction thereto, and to summarize information con-
 tained in the enclosed copies of despatches Nos. 197
 of June 1, 200 of June 5, and 201 of June 11, ad-
 dressed to the Embassy by the Consulate at Tsingtao
 on the same subject.

DEPARTMENT OF STATE
 A.C.C.
 2/24/1937
 ASSISTANT SECRETARY
 OF STATE

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

-2-

The situation created by the despatch of this force to the vicinity of Tsingtao has been considerably ameliorated. The Mayor of Tsingtao, Admiral Shen Hung-lieh, made a statement to the press in which he allegedly said that, following the Chinese reply to the initial Japanese representation about the increase of troops, no second protest had been forthcoming. Evidently much of the concern created was the result of the highly exaggerated reports in the Tsingtao Japanese press, which may have been intended to cause the Mayor of Tsingtao embarrassment. A party of Japanese officials who investigated the situation were apparently somewhat satisfied that the Chinese force did not constitute a threat against Japanese lives and property in Shantung. Mr. Sokobin visited the area where the troops were stationed and came to the conclusion that there was no appearance of a threat from these revenue guards to any law-abiding residents of Shantung.

It is the opinion of the Embassy that, whatever the motives of the National Government in increasing the strength of the so-called salt guards near Tsingtao and whatever the motives of the Japanese press in Tsingtao in publishing exaggerated reports, it may be expected that the situation created by the despatch of the troops will not become acute in the near future, partly for the reason that Japanese officials have shown in regard to various recent occurrences a desire that an aspect of

quiet

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

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quiet in Sino-Japanese relations be maintained.

Respectfully yours,

Nelson Trusler Johnson
Nelson Trusler Johnson.

Enclosures:

1. Despatch No. 197, June 1, 1937.
2. Despatch No. 200, June 5, 1937.
3. Despatch No. 201, June 11, 1937.

Original and four copies to Department.
Copy to Embassy, Nanking.
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

No. 197

1288

AMERICAN CONSULATE

Tsingtao, China, June 1, 1937.

Subject: Statement of Mayor of Tsingtao
on Subject of Revenue Guards.

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Peiping, China.

Sir:

I have the honor to report that the Mayor of Tsingtao visited Tsinan on Saturday and Sunday, May 29 and 30. The Mayor himself referred to the visit as merely a courtesy call on General Han Fu-chu, but naturally a number of rumors are rife as to the real reasons for the visit. Subjects included in these rumors are the presence of the Revenue Guards near Tsingtao and the alliance alleged to be in process of formation, between Generals Han and Sung and Mayor Shen, with General Feng Yu-hsiang as the leader of a North China coalition.

Mayor's Statement

While in Tsinan the Mayor of Tsingtao is reported to have made the following press statement to Chinese newsmen:

"As to the transfer of the Revenue Guards stationed in Tsingtao, a protest of an informal nature was made by the Japanese, to which a reasonable reply has been made by the (Tsingtao) Municipal Administration. At present the subject is a matter of the past. There is no truth in the reports of a second protest. There have always been Revenue Guards stationed in Tsingtao and the present matter is simply one of routine which should not be a cause of sur-

prise

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

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prise. Moreover, Tsingtao is in Chinese territory. Other than our own Government, others not only should not but cannot question us. The statements of the Japanese press that there are as many as 15,000 Revenue Guards are fabrications of their own creation, and a great exaggeration. As a matter of fact, there are no more than 1,500."

This consulate would place on record a statement of a Japanese gentleman of repute, the manager of a great cotton trading firm who informed the writer that he was amazed to receive a telegram from his head office in Japan to the effect that the press in Japan was carrying stories of the serious situation in Tsingtao as a result of the presence of the Revenue Guards; the local manager was requested to submit a report. This gentleman stated that the Tsingtao Japanese press was alone responsible for the concern aroused by the presence of the Revenue Guards. The Japanese community in Tsingtao was not alarmed in any way and there was nothing in the situation that he or any reputable Japanese residents considered as justifying the slightest concern or need for Japanese protest. He expressed himself as disgusted with the action of the Japanese press and he resented the propagandist stories which would adversely affect Sino-Japanese relations and trade.

The policy of the Japanese press from time to time appears to be to launch a campaign designed to embarrass and harass the Mayor of Tsingtao. That official has conducted the duties of his office in

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

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a capable manner and has demonstrated to the Japanese that while he recognizes the benefits which have accrued from Japanese industrial enterprise in this area, Tsingtao nevertheless is Chinese territory, its administration must be Chinese and its decisions must be dictated by its own considerations and views.

Respectfully yours,

Samuel Sokobin,
American Consul.

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

No. 200

AMERICAN CONSULATE

Tsingtao, China, June 5, 1937.

Subject: Japanese Consular Conference and Japanese
Opposition to the Revenue Guards.

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Peiping, China.

Sir:

I have the honor to report that a Japanese Consular Conference was held in Tsingtao on June 1 and 2. Attending this conference were the following Japanese officials:

Secretary of the Embassy, Kato

Consul General Horiuchi of Tientsin

Consul General Arino of Tsinan

Chief of Section Beppu of the Ministry
of Foreign Affairs

Vice Consul Nagai of Tientsin

It will be recalled that a conference of Japanese consular and diplomatic officials was held in Tientsin on May 24. Why the conference was transferred to Tsingtao at this time is not known although possibly the situation arising out of the presence of the Chinese Revenue Guards may have been a factor. This is born

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- 2 -

out by the fact that all the officials attending the conference in Tsingtao journeyed to Mo T'ien Ling (摩天嶺), the headquarters of the Revenue Guards, on the afternoon of June 2.

The Japanese press reports that this delegation of Japanese officials interviewed the Commanding Officer of the Revenue Guards, exhibiting to him photographs of Japanese dwellings allegedly injured by the Chinese Guards, and warned him concerning the anti-Japanese attitude which his troops had shown since their arrival in Shantung. The Japanese press reports further that the commander of the Guards was "rather evasive as to the construction of blockhouses and certain trenches which had been dug in the vicinity of Mo T'ien Ling".

American and British Consular Officers Visit Headquarters of Revenue Guards.

On Friday, June 4, upon the invitation of Mr. K. J. Woo, Chief of the Tsingtao Salt Fields Bureau (Salt Gabelle) the British Consul General and the American Consul in Tsingtao, in company with Mr. Charles Yik of the Tsingtao-Tsinan Railway, Mr. C. C. Chang, former Chinese Minister to Japan, and the Rev. Courtland Van Deusen, an American missionary of long residence in Tsingtao, proceeded to Mo T'ien Ling and to the nearby salt fields; Mr. Woo and Colonel Ch'iu also accompanied the party from Tsingtao. Mo T'ien Ling is 26 miles from Tsingtao on the salt gabelle road, a part of which was constructed in 1935.* This road parallels for the

*See Tsingtao's reports of February 8, 1935 and March 19, 1936, file no. 815.4, subject: Motor Highway Around Kiaochow Bay, China, Projected.

- 3 -

the most part the shores of Kiaochow Bay. It is immediately adjacent to the salt fields. There is no village in close proximity but the locality receives its name, which may be translated as the "sky seraping ridge", simply from the fact that it is at an elevation of perhaps 15 or 20 feet above sea level, the highest point for miles around. Along the salt gabelle road have been constructed just as at Mo T'ien Ling, from 40 to 50 block houses, designed to accomodate small detachments of Guards engaged in the prevention of salt smuggling. These block houses were completed long before the present Revenue Guards came to this region.

While resting at Mo T'ien Ling, Colonel Ch'iu informed the party of the visit of the Japanese officials to the salt fields on the afternoon of June 2. He stated that they had called upon him and had questioned him in the most detailed manner for more than two hours. Their questions, Colonel Ch'iu stated were impertinent, if not insolent. The Japanese officials were particularly concerned with a trench which had been dug in connection with the construction of a drill field; in any case the trenches are 26 miles from the city of Tsingtao. At Mo T'ien Ling there probably were not more than 150 or 200 men, while the remainder of the 3,000 to 3,500 Revenue Guards were scattered along the salt gabelle road for a distance of 40 miles or more. Colonel Ch'iu was of the opinion that after his cross examination by the Japanese officials on June 2,

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- 4 -

the Japanese were somewhat satisfied that his guards were engaged in the performance of legitimate duties and did not constitute a threat against Japanese lives and property in Shantung. The Colonel was inclined to attribute to Major Yahagi, the Japanese Resident Military Officer, responsibility for the importance which had been attached to the presence of his troops by certain elements of Japanese in Tsingtao.

After a short rest at Mo T'ien Ling our party proceeded along the salt gabelle road for a distance of 22 miles to the Ta Ku Ho (大沽河), a river which flows into Kiaochow Bay. Several stops were made at salt revenue collection stations, at one of which Mr. Woo informed the party that the revenue collected this year amounted to \$24,000 as compared to \$600 in the corresponding period of last year. This difference he attributed to increased vigilance and the presence of the Revenue Guards. Incidentally Colonel Ch'iu had previously stated that the presence of his Guards would probably account for an additional yearly collection of \$2,000,000.

Certainly as far as observations could be made yesterday, there is no appearance of a threat from the Revenue Guards to the law abiding residents of Shantung, be they Chinese, Japanese or Occidentals. The nearest detachment is probably 20 minutes from the city along the salt gabelle road, and no heavy guns of any kind were observed. The men are fairly well clad although

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

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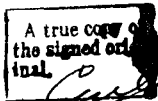
it was noted that not a few wore sandals such as is common among the soldiery in Szechuen and Hunan provinces. Why the Japanese should have been so concerned by the presence of these men can only be explained by that special interest which certain Japanese feel they have as a result of their historical relations, political and economic, with this part of China.

Respectfully yours,

Samuel Sokobin,
American Consul.

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

No. 201

AMERICAN CONSULATE

Tsingtao, China, June 11, 1937.

Subject: Chinese Revenue Guards - Visit of Captain Barrett, Assistant Military Attache.

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Peiping, China.

Sir:

I have the honor to report that Captain David D. Barrett, Assistant Military Attache, in company with Vice Consul Hawthorne of this office journeyed to Mo T'ien Ling on June 10, 1937, to interview the Commandant of the Chinese Revenue Guards.

Naturally, Captain Barrett will make a full report of his observations which will supplement those contained in this consulate's despatch no. 200 of June 5, 1937, subject: Japanese Consular Conference and Japanese Opposition to the Revenue Guards. To further supplement such information as has been transmitted by this office I have the honor to append the following notes made by Vice Consul Hawthorne:

"Troops engaged in the protection of salt revenue along the Salt Gabelle road under the command of Colonel Ch'iu Chih-ehi, comprise the 5th Brigade of the 72nd Division. The headquarters of the 72nd Division are at Haichow, Kiangsu. The Division is commanded by Huang Chieh. The headquarters of the 5th Brigade are at Mo T'ien Ling. The jurisdiction of the 5th Brigade extends from the Pai Sha Ho (White Sand River) to the Ta Ku Ho only. The 5th Brigade marched from Haichow to Mo T'ien Ling, a dis-

tance

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

- 2 -

tance estimated by Colonel Ch'iu to be over 800 li, in 13 days. The personnel of the 5th Brigade is composed of men from Fukien, Hopeh, Shantung, Kwangtung and other provinces, thrown together as a result of the reorganization of certain units of the Chinese Army after the culmination of the Nationalist movement in 1927-28. The Brigade is equipped with modern rifles (made in China), Browning automatics (about one per 20 men) and two field pieces, the technical terms for which in Chinese I was unable to understand, but I believe they are trench mortars."

Respectfully yours,

Samuel Bokobin,
 American Consul.

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 SS/AD

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

~~M.B.M.~~
~~E.L.T.~~
~~M.M.H.~~

July 20

To note Pispinig's
covering despatch No.
1286, June 18, 1937,
which is a brief but
adequate summary
of its enclosure.

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FE

Peiping, June 18, 1937.

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793.94/8723

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

Sir:

1/ I have the honor to enclose a copy of despatch
No. 254 of May 28, 1937, addressed to the Embassy by
the Consulate at Yunnanfu, with regard to the visit to
Yunnan of the Japanese Military Attaché to China, Major
General Seichi Kita.

Although the actual visit was in itself apparently unimportant, certain implications, as described in the despatch, are of interest and may be summarized as follows: (a) Chinese in Yunnan suspected that Major

General

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

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General Kita's purpose in visiting the province was to attempt to undermine its loyalty to the National Government, although he appeared to have little opportunity to intrigue; (b) his lack of success was apparently in part due to the belief of officials of Yunnan that their interests can best be served by cooperating with the National Government; and (c) the interest of the Japanese military in Yunnan Province is indicated by the fact that a Japanese officer, Major I. Magata, has been stationed in Yunnanfu since last September, it being assumed by local Chinese that he has established an espionage system.

Respectfully yours,

Nelson Trusler Johnson

Nelson Trusler Johnson

✓ Enclosure:

Yunnanfu's despatch
No. 254, May 28, 1937.

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No. 254

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AMERICAN CONSULATE

Yunnanfu, China, May 28, 1937

SUBJECT: Visit of Japanese Military Attache.

CONFIDENTIAL

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Peiping.

Sir:

I have the honor to report that Major General S. Kita, Japanese Military Attache at Shanghai, visited in Yunnanfu from May 15th to 19th. General Kita arrived by train from Indochina accompanied by an aide, Captain Kumakawa; the Military Attache or chief of Military Mission in Canton, Lieutenant Colonel Miyasaki; and Major I. Nagata, an officer who has been stationed here since last September and who had gone down to Hanoi to meet the General (political reports for September, 1936, page 3, and April 1937, page 6).

The party was met at the station by most of the local Japanese community but by only one Chinese, the local Delegate of the Ministry of Foreign Affairs. General Kita exchanged formal calls with Chairman Lung Yun and was entertained by the latter, by the Delegate of the Ministry of Foreign Affairs, and by the Japanese Consul. He filled in a good share of
the

-2-

the rest of his time here in sightseeing, perhaps to lend color to his assertion that he was purely on a pleasure trip. He left by plane for Chengtu on May 19th accompanied by the same three officers with whom he arrived. It is understood that Major Nagata has completed his mission here and that after spending a few days in Chungking he will return to Japan.

In contrast to his visit to Canton (Canton's telegram of May 11, 4 p.m. to the Department and Embassy), General Kita's arrival and activities here were given considerable publicity. An editorial appeared in the Min Hui Shih Pao (the local Kuomintang organ) of May 18th, entitled "Respectful Advice to General Kita". It contained an implied warning to the General not to attempt to undermine Yunnan's loyalty to Nanking. The following sentences are indicative of its tone:

"Although General Kita's trip is purely for pleasure, it is felt that he cannot avoid making certain observations....General Lung has been most conscientious in his duty of defending the country and carrying out Central Government orders (sic). He has thoroughly realized that the interests of the nation as a whole are paramount and that unification and resistance to foreign aggression are intimately connected. His views on these subjects cannot be altered either by threats or inducements...Should there be certain persons who, inspired by selfish motives, attempt to sow dissension amongst other peoples, split up their territory or disturb their peace and tranquility, they must be severely punished."

Another editorial in the same paper on the following day took as its theme the statement alleged to have been made to Lung by Kita that:

"the

-3-

"the peoples of neighboring countries must be given opportunities for frequent contacts with each other in order to remove the false and unfavorable impressions of the masses."

The article maintained that international good feeling does not depend so much upon the number of opportunities for contacts as upon the attitude of the two sides at times of contact. It then went on to state that:

"The whole world realizes the necessity for an improvement in Sino-Japanese relations and both our Government and people have been anxiously hoping for such an improvement. Our negotiations with Japan have been characterized by sincerity and our public opinion has tried to avoid assuming an attitude which might excite Japanese animosity. But in Japan the situation is entirely different. As soon as Kodama and his colleagues finished their tour of economic investigation in this country and returned to Japan, Japanese newspapers published all sorts of ridiculous articles with the object of arousing ill-feeling. Such articles are evidence of the Japanese lack of sincerity. The Sino-Japanese problem cannot be solved by force, but a regular and peaceful solution should be sought."

This article represents a much more sensible attitude than the usual unreasoned appeal to rise up against the aggressor which the local press is in the habit of addressing to its readers.

Local official and private opinion seemed to be suspicious of General Kita's motives in visiting Yunnan, but it is not believed that he was offered much opportunity to carry on secret intrigue, if such was his intention. It is assumed that Major Nagata has established some sort of espionage system here, but his difficulties are well illustrated by the fact that local Japanese have been forced to attempt (unsuccessfully, so far as this office is aware) to arrange

meetings

1880
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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meetings with their Chinese agents through the good offices of local foreign residents of other nationalities.

All appearances indicate that Lung, and consequently practically all other local officials, are convinced that their bread is buttered on the Nanking side, and this province therefore does not offer a very promising field for Japanese or other foreign intrigue.

It is probable, therefore, that General Kite's accomplishments in Yunnan were confined to receiving from his agents large quantities of information of doubtful value and perhaps, although there is no evidence thereof, making tentative but probably unsuccessful seditious proposals to the local Government.

Respectfully yours,

J. K. Fenfield,
American Consul.

In sextuplicate (original by air mail)
Copy to the Embassy at Nanking
No copy to Department

800/030
JXP:JLM

A true copy of
the signed origi-
nal.

JM

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

FE



EMBASSY OF THE
UNITED STATES OF AMERICA

No. 1289

Peiping, June 17, 1937.

Subject: Detention of a Japanese Consular
Policeman at Swatow.

RECEIVED
DEPARTMENT OF STATE
JUL 12 1937

DIVISION OF
COMMUNICATIONS
AND RECORDS

Mr. Tolson	
Mr. E.A. Tamm	
Mr. Clegg	
Mr. Glavin	
Mr. Ladd	
Mr. Nichols	
Mr. Rosen	
Mr. Tracy	
Mr. Carson	
Mr. Egan	
Mr. Gurnea	
Mr. Harbo	
Mr. Hendon	
Mr. Jones	
Mr. Quinn	
Mr. Nease	
Miss Gandy	

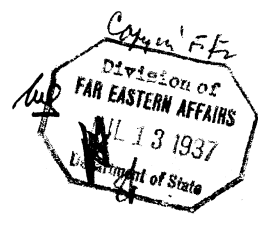
Feb 1937 *cut. 7-10-37*

AUG 3 - 1937

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ASSISTANT SECRETARY
OF STATE

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



793.94/8672

Sir:

I have the honor to refer to my despatch No. 1267
of June 4, 1937, with regard to the arrest and deten-
tion on May 22 at Swatow of a Japanese consular police-
man, and to enclose a copy of despatch No. 30 of June
2, 1937, addressed to the Embassy by the Consulate at
Swatow, giving further information on this subject.

The despatch is summarized in the following paragraphs.

After indicating that blame attaches to both Japa-
nese and Chinese participants in the incident, Mr. Ketcham
states that negotiations up to the time of the writing of

his

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

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his despatch had been confined to attempting to reconcile the Chinese and Japanese versions of the affair; that the Chinese admit their mistake in holding the Japanese concerned for so long a time, saying that it was the result of the temporary absence of higher Chinese police officers and of a demonstration made by a group of Japanese and Formosan consular police; and that the Japanese are attempting to obtain admissions from the Chinese that (a) the incident took place inside a Japanese building, rather than outside, as the Chinese contend, and that (b) the Japanese concerned was struck and maltreated on his way to the police station.

Mr. Ketcham states that no formal demands have apparently yet been made by either side; that it is understood the Japanese want (a) an apology, (b) payment of medical expenses, (c) punishment of the police concerned, and (d) guarantee of non-recurrence; and that probably the Chinese will attempt to obtain (a) compliance with local regulations by Japanese nationals, (b) medical expenses, (c) an apology, and (d) guarantees against recurrence. Mr. Ketcham states that the compliance of Japanese nationals with the regulation requiring registration with the police upon each change of address is an important one because of the number of Japanese nationals resident in Swatow who are indistinguishable from Chinese and of whose movements the Chinese police wish to be informed.

Respectfully yours,

Nelson Trusler Johnson

Nelson Trusler Johnson

Enclosure

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

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✓
 Enclosure:

Swatow's despatch No. 30,
 June 2, 1937.

Original and 4 copies to Department.
 Copy to Embassy, Tokyo.
 Copy to Embassy, Nanking.

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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

No. 30

1289

AMERICAN CONSULATE,

Swatow, June 2, 1937.

CONFIDENTIAL.

Subject: Incident at Swatow Involving Arrest of
Japanese Consular Policeman.

The Honorable

Nelson Trusler Johnson,
American Ambassador,
Peiping.

Sir:-

I have the honor to refer to my despatch No. 29 of
May 28, 1937, and to my telegrams of May 30 and June 1,
1937, regarding the incident arising out of the arrest and
detention of a Japanese consular policeman by Chinese
police.

Press reports, to judge from the Hong Kong South China
Morning Post, have magnified the incident considerably, and
in reality there has been no tension at Swatow, and it was
not until Wednesday, May 26, that the majority of the
Swatow populace was aware that there had been any incident
at all.

I have discussed the affair with Mr. Y. D. Mark, the
Councillor to the Swatow Municipality, who is chief liaison
officer between the consular corps and the Mayor, with Mr.
Hsieh Han-kwang, Chief of Police, and with Mr. Andrew S. F.
Lin, Secretary to the Special Delegate of the Ministry of
Foreign Affairs for Kwangtung and Kwangsi, who is represent-
ing that office in the negotiations, and with Mr. Yamasaki,
the Japanese Consul.

It

-2-

It appears clear that the incident arose from the insistence of a Chinese policeman in taking to the police station a Japanese named Oyama, who is a policeman attached to the Japanese Consulate, because he had not registered his change of address in accordance with local regulations. However, the Consulate had telephoned the Municipality the previous day, May 21, of the impending move of Mr. Oyama and his wife. It also seems clear that Mr. Oyama did strike one or two policemen, when they insisted that he accompany them to the police station to register his change of address. It is probable that the dispute took place inside the hall and on the stairway of Ko Shiu Yoko, a Japanese wine shop, next door to the Bank of Taiwan, on the top floor of which, Mr. Oyama had rented quarters.

It is not believed that the Chinese police used any more force than was necessary in compelling Mr. Oyama to accompany them to the police sub-station. It is a fact, agreed on by both sides, that Mr. Oyama was detained for approximately nine hours in the police station.

Negotiations have been going on continuously since May 27, when the Mayor and Mr. Lin arrived from Canton. To date these discussions have been confined to ascertaining the true facts of the affair and to reconciling the two versions, Chinese and Japanese, of what actually took place.

The Chinese admit their mistake in holding the prisoner for such a long time in spite of protestations from the Japanese Consulate, but explain this phase of it by the absence at a funeral of the Chief of Police and the Chief Inspector of Sub-police Station No. 2, where Mr. Oyama was first taken after his arrest. His release was further delayed

by

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

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by the action of a group of six to ten Japanese and Formosan consular policemen, who insisted on entering en masse both the sub-station and police headquarters, demanding to see the Chief of Police and refusing to quit the premises. It is probable that if Mr. Yamasaki, the Japanese Consul, had promptly gone down himself to the office of the Mayor the prisoner would have been released with much less delay.

It is understood on good authority that the Japanese are trying to obtain an admission from the Chinese that armed Chinese policemen entered Japanese premises, and that the struggle and arrest took place inside a Japanese building, not on the sidewalk or in the alleyway as the Chinese contend. The Japanese also are trying to obtain an admission that Mr. Oyama was struck and maltreated on his way to the police station, but it is improbable that this occurred.

So far as can be ascertained no formal demands have been made as yet by either side, but informally it is stated that Japanese demands will involve: (1) an apology from the Municipality, (2) medical expenses for the injuries to Mr. Oyama, (3) punishment of the police concerned, (4) guarantees that no such incident will occur in future. The Chinese, it is believed, will attempt to obtain, (1) compliance with local regulations by Japanese and Formosans, i.e. registering their addresses, (2) medical expenses for two injured constables, (3) an apology from the Japanese Consul, (4) guarantees that no such incident will occur in future.

The question of compliance with local regulations regarding registering with the police each change of address is an important one and applies particularly to Japanese and Formosans, of whom, according to figures supplied this office by

the

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

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1 the Japanese Consul, there are a total of 44 Japanese families, comprising 40 men, 39 women, and 42 children resident in Swatow, and 112 Formosan families, consisting of 191 men, 105 women, and 78 children, and 1 male Korean. In other parts of this consular district there are 4 Japanese women and 2 children and Formosans number 56 men, 129 women and 27 children. This number, while not large, far exceeds the total of any foreign nationality, and as Formosans are indistinguishable from the Chinese, the local authorities wish to keep track of their movements.

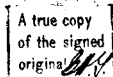
The three destroyers, which came on May 24, departed last Saturday and Sunday, May 29 and May 30, leaving only the cruiser Yubari in port, but four other destroyers arrived at about 8.00 A.M. on June 1. It is understood that it was at the suggestion of the Mayor that the three destroyers, which arrived on May 24, departed, so that conversations could be carried on without the implied threat of force, and it came somewhat as a surprise that they were replaced with another detachment on Tuesday, June 1.

As a matter of interest I enclose translation copies of two statements, setting forth the Japanese version of the case, which were handed to me by the Japanese Consul at the time of my interview with him. It is respectfully requested that these be considered confidential.

Respectfully yours,

John B. Ketcham,
American Consul,

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JRK/ght



Original and 5 copies to
Embassy, Peiping.
Copy to Embassy, Hanking.
Copy to Consulate General, Canton.

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

Enclosure No. 1 to Despatch 16. 34

Translation of Statement Handed American Consul
by the Japanese Consul at Swatow.

Facts of What ~~was~~ Happened in the Incident.

CONFIDENTIAL

(Reference is made to matters before the incident: On May 21, as a friendly good intention, the Consulate informed the Municipal office that a member of the Consulate, Mr. Oyama, would move his residence the next day, and again informed by telephone).

First time. One policeman, with rifle, asked, "Whose are these?" Answered, "These are the luggages of a Japanese consular employee", interpreted by Mr. Huang Hsiang-chee in the Cantonese dialect. The policeman then asked, "Have you a move-in permit?" Mr. Huang answered, "If necessary, the Consulate will carry out the necessary procedures". Another policeman came in, and the first policeman left, or went to report to police sub-station. Later, the policeman found that there were too many luggages, who suspected one wooden box and asked what it was? In order to clear his suspicion the box was opened and showed to him; it contained miscellaneous articles. This is the situation of the first visit.

Second time. A census officer of the Second Sub-station, Mr. Hsia Chee-in, about 45 to 46 years of age, in civilian dress, accompanied by a policeman or inspector, in uniform, entered Ko Shiu Yoko and asked Mr. Yao Wei-chen, "Who moves in these luggages?" At this time Messrs. Oyama, Yamamoto, and Huang, the three were resting in the shop. Mr. Huang answered that the luggages were moved in by a consular employee, as regards move-in permit the Consulate had already notified the Municipal office. The Chinese policeman asked whether a permit was obtained. At this time Mr. Yamamoto showed the certificate to Mr. Hsia. He looked at it over and over again and returned it, saying that the list of members of the family should be shown. Mr. Oyama wrote it out and gave it to Chief Census officer, Mr. Hsia, using the letter paper of Ko Shiu Yoko. Mr. Hsia left with the list.

Third time. Mr. Yamamoto left. Mr. Huang in the front part of Ko Shiu Yoko, and Mr. Oyama went upstairs to arrange his luggages. Chief officer Hsia, who came once previously, came again, accompanied by an inspector or policeman, who also came once, and an armed policeman, three altogether. At 11.10 A.M. the police officer (or inspector) entered and told Mr. Huang that Mr. Oyama was requested to go to the second sub-station to carry out the move-in procedures. Mr. Huang went upstairs to tell Mr. Oyama. It was the opinion of Mr. Oyama that he had already given the inspectors the list of names, it was not necessary for him to go to the second sub-station. "The Chief of the second sub-station is waiting at the station, no matter how the case is please go with me". Mr. Oyama said, "I am a member of the Consulate and cannot go to a foreign authority's office as I wish without the instruction of the Consul", and refused to go. Basing on this reason, he cannot go to see the Chief of the second sub-station regarding move-in procedures. At this time the inspector became enraged. There were three or four policemen at the front of the house of Ko Shiu Yoko. The inspector shouted that if Mr. Oyama did not care to go to the sub-station, he would act according to instructions of his superior and arrest Mr. Oyama to the sub-station. At this moment the situation was unsafe. Another inspector of the second sub-station, about 24

or

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CONFIDENTIAL

or 25 years of age, whom Mr. Huang is acquainted, in white civilian dress and socks, not in uniform, entered Ko Shiu Yoko and accompanied the other inspector, who came in first, and went out to consult. Then the inspectors with four policemen entered the shop and shouted, "No matter how it is, if you do not go to the sub-station personally, you will be under arrest". Mr. Huang told the inspector that the house is a Japanese residence and tried to stop the policemen from entering the shop. But the policemen who were in the street entered. The number of policemen in the shop now numbering 8 or 9. At this stage Mr. Huang telephoned the Consulate and went upstairs to inform Mr. Oyama. The inspector and policemen also went upstairs. Mr. Oyama came down from upstairs half way on the staircase and stop the inspector and policemen from going upstairs, and the inspector shouted, "This is the guy to be arrested", and ordered to have him arrested. All the policemen brought rifles or pistols and forcibly arrested Mr. Oyama. The policemen who went upstairs were either came from the shop front of Ko Shiu Yoko or entered from the side door.

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

Enclosure No. 2 Despatch No. 30 JUL 1937

Translation of Statement Handed American Consul
by Japanese Consul at Swatow.

CONFIDENTIAL

On May 22, at noon, 8 or 9 policemen and the chief of the second sub-station, under the jurisdiction of the Municipality, brought with them either loaded pistols or carbines, and other plain clothes policemen, and went to the residence of Mr. Oyama, a member of the Consulate, i.e., the residence on the top floor of Ho Shiu Yoko. They, with pistols on hand, intruded into the residence and forcibly arrested Mr. Oyama and tore his pants and threw them away, then arrested him and took him to the second sub-station. At that time there were about thirty policemen armed with carbines, with fixed bayonets, patrolling the neighborhood, from the front of the Bank of Taiwan at Yung Ping Street to Yung Ping Restaurant and to the back door of the Bank of Taiwan at Yok Chang Street, with Ho Shiu Yoko as the center of activity. Another detachment, with fixed bayonets, went downstairs and upstairs of Ho Shiu Yoko and forcibly suspended traffic in the neighborhood. Mr. Oyama was arrested by several persons who struck him with their fists, inflicting 12 wounds on his body, and he is now under treatment at the Hokuai Hospital. Mr. Huang of the Consulate also received several wounds from blows on the skin, and he is also being attended.

Upon receipt of the report of what had happened by telephone and in order to effect the release of Mr. Oyama, Chief consular constable Ita (?) and others, 6 persons in all, were sent to the second sub-station, but on their way they went to the police headquarters to call on the Chief of police. But the Chief was absent and, instead, they met Mr. Liang, the Chief of detectives, and a brief summary of the case was told to him. But he said, "The chief reason for the apprehension of Mr. Oyama is that he offended the Chinese regulations governing moving of residence. Any one who offends the laws of China, no matter what nationality, he is liable to be apprehended and punished." As to the question of turning him over to the Consulate, he stated that because the Chief of Police was not in he could not accede to the request. But as they were calling on the second sub-station to take up the matter, Mr. Liang was asked to send an officer to accompany them, to which he consented. Then Mr. Shih, the sub-inspector of detectives, was sent, together with the chief inspector to lead the consular chief constable to the second sub-station. They both walked fast in front with chief constable, Ita, following. But the second sub-station paid no attention to the accompanying officers and at the gate they stopped Mr. Ita with bayonet fixed rifles. Mr. Ita was forced to send in his card and later was showed in by sub-inspector of detectives, Mr. Shih, to the reception room. But as the chief of the second sub-station was absent and while awaiting his return, Mr. Ita talked the matter over with an officer of the sub-station. At 3:00 P. M., without special movement on the part of Mr. Ita, several policemen pointed their pistols at Mr. Ita, which was an unsafe action.

Later, several policemen, holding Mr. Oyama on the back of the neck, with his hands turned backward, and escorted him with a squad of 40 men armed with two light machine guns,

carbines

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

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carbines and pistols, acting several times severer than in the case of robbers or murderers. With such strict precaution he was put into a motor car, which was parked near the gate, and escorted to police headquarters. He was handcuffed both at the second sub-station and at the police headquarters and was kept in jail. The treat was worse than a prisoner, which is a great insult.

After calling on the Municipal Office by the Japanese Consul, Mr. Oyama was allowed to be handed over to the Consul. Up to that time Mr. Oyama was detained for more than 9 hours. The unsafe conduct and the malicious movement toward Mr. Ita, the chief consular constable are matters of great importance and are an infringement of treaty right.

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

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DEPARTMENT OF STATE

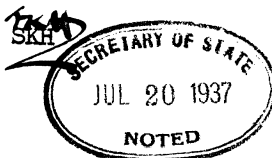
DIVISION OF FAR EASTERN AFFAIRS

July 17, 1937.

S.
Mr. Secretary:

U.
Mr. Welles:

This despatch from Tokyo
(you need read only the digest)
contains matter that throws light
on the present acute situation
in Chinese-Japanese relations.



FE:SKH/ZMK

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

74-1

DEPARTMENT OF STATE

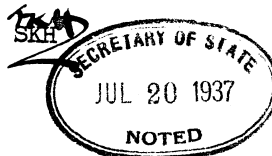
DIVISION OF FAR EASTERN AFFAIRS

July 17, 1937.

S.
Mr. Secretary:

U.
Mr. Welles:

This despatch from Tokyo
(you need read only the digest)
contains matter that throws light
on the present acute situation
in Chinese-Japanese relations.



FE:SKH/ZMK

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

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DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

July 14, 1937.

~~WPT~~
~~WMT~~
~~SKP~~

The despatch from the Embassy at Tokyo of June 24, 1937, entitled "Japan's policy toward China" although containing little that is new is timely and gives a thoughtful resume of the situation. The salient points brought out are as follows:

The old three point program advocated by Hirota, namely: (1) repression by China of anti-Japanese agitation, (2) Sino-Japanese cooperation against communism, and (3) stabilization of ~~Japan's~~ factual relations with "Manchukuo" failed because China refused to accept it. The Sato policy gave little promise of success because of the vagueness of its terms and its failure to heed the concrete desires of the Chinese. There are indications that the present Ministry contemplates some sort of new departure. Taking into account Hirota's emphasis on the necessity of solving concrete problems one by one, it would seem natural that the first questions to be dealt with are those most easily susceptible of solution, such as the questions of a Peiping-Tokyo air service and of Japanese land ownership in North China. Next might follow matters to which Chinese

are

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

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DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

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Chinese are less amenable such as extensive economic concessions in North China. Thirdly there are the issues which present great difficulties, such as the desire of China to reestablish sovereignty over the whole of North China and to have Japan put a stop to smuggling. Japan's belief that China will not resort to arms to reestablish sovereignty in North China and China's ability to refuse Japan concessions for the attainment of which Japan is apparently unwilling to use force must be included in a careful estimate of whether any future cession is to be made by China.

The despatch encloses a memorandum of conversation between Andrews and a Secretary of the Chinese Embassy. The memorandum need not be read. Of interest, however, is the Secretary's statement that the Nanking Government considers the Kono cabinet weak and therefore sees no need of making concessions to Japan without a quid pro quo.

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FE:JBW:VIC

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

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THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN EMBASSY

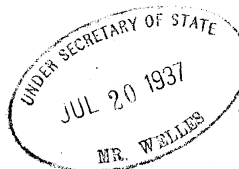
Tokyo, June 24, 1937.

No. 2484.

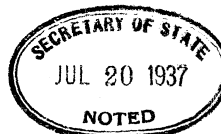
SUBJECT: JAPAN'S POLICY TOWARD CHINA.

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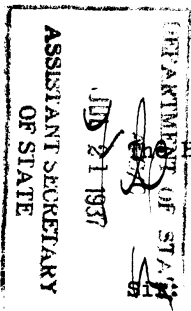
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Honorable
The Secretary of State,
Washington.

There has been much speculation in Japan as to what definite policy, if any, the new Konoye Cabinet will adopt toward China. Thus far, judging from the public statements made by the Premier and by the Minister for Foreign Affairs, it would appear that only the general outlines of the policy to be pursued with respect to China have been considered. While Japan's China program remains in a nebulous state, an appraisal

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JUL 27 1937

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

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appraisal of the lines which any future policy will be most likely to follow may perhaps be reached through an analysis of the former Hirota and Sato policies and of the divergent points of view held by the Japanese and the Chinese.

It will be remembered that the Hirota three-point policy called for the checking by the Chinese Government of anti-Japanese activities and propaganda, Sino-Japanese cooperation against communism, and the stabilizing of China's factual relations with "Manchukuo".* On the basis of these Japanese aims negotiations were opened between the Chinese and Japanese Governments in March 1936. Conscious of its increased strength the Nanking Government was able to reject these demands, labelled "requests" by the Japanese, and the negotiations came to a close in December 1936.

Thus the futility of pressing these demands without the use of armed force was fully realized before the resignation of the Hirota Government on January 23 and the formation of the Hayashi Cabinet on February 2, 1937. Hence, in the early part of the present year the Japanese began to see the necessity of adopting a more conciliatory and equitable policy toward China from the point of view of expediency if Japan's economic aims in China were to be attained.** There was nothing surprising in the remarks made before the Diet by Mr. Sato, the Minister for Foreign Affairs in the Hayashi Cabinet, who urged that negotiations with China be taken up on the basis of equality and that

Sino-

* Embassy's despatch No. 2209, January 1, 1937.

** Embassy's despatch No. 2266, February 16, 1937.

793.94/8529.

74-6

-3-

Sino-Japanese diplomatic relations be based on a harmony of feeling between the two nations.*

It is well to remember that although Mr. Sato amplified these remarks on several occasions, his statements regarding the proposed new China policy were always vague and that not once did he intimate that Japan's political and economic gains in North China would be relinquished in line with the new policy of "equality and equity". In fact, under pressure from the Japanese military in the latter part of March, Mr. Sato asserted publicly in the Diet that the East Hopei and Hopei-Chahar administrations had been established because of special conditions existing in North China and hence were not a matter for discussion with Japan, and that the question of Japan's "special trade" (smuggling) in the East Hopei region was a concern of East Hopei and should not be discussed with Japan, but that Japan would consider it in connection with Chinese tariffs.** It is easy to understand, therefore, why Mr. Sato's "new policy of conciliation" was received with skepticism by the Chinese, since it offered nothing to them in the way of concession.

To recapitulate, the old three-point program advocated by Hirota failed because the Chinese refused to accept it. The Sato policy gave little promise of success owing to the vagueness of its terms and its failure to pay attention to the concrete desires of the Chinese.

Since the advent of the Konoye Cabinet and the appointment of Mr. Hirota as Minister for Foreign Affairs,

there

793.94/8568

* Embassy's despatch No. 2317, March 18, 1937.

** Embassy's despatch No. 2345, April 2, 1937.

793.94/8588

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-4-

there has been a great deal of discussion concerning Japan's future China policy. Will the new Government attempt to open negotiations with the Nanking Government on the basis of the Hirota "three-point policy", will it carry over the Sato policy of conciliation, or will it adopt an entirely new policy?

In my first interview with the new Minister for Foreign affairs on June 7, Mr. Hirota stated with regard to Sino-Japanese affairs that conditions had changed since he was last in office: that his former three points were too abstract for present circumstances, and that he therefore proposed to find concrete solutions of the various problems outstanding between Japan and China.* The Minister for Foreign Affairs has made no statement as to whether he intends to follow Mr. Sato's policy of equality and reciprocity, but there are indications that some sort of new departure is contemplated. On June 4 Mr. Hirota stated in a press interview, according to THE JAPAN TIMES of June 5, that the diplomatic situation between Japan and China had now reached such a state that it would not permit of mere theoretical discussion but called for approaching concrete questions along practical lines. Mr. Hirota's reference to "concrete questions" and "practical lines" may have been intended as a veiled criticism of Mr. Sato's relatively vague policy. THE TOKYO NICHU NICHU of June 22 reported that Mr. Hirota in his new orders to Ambassador Kawagoe would lay special stress on the "positive and self-initialing" nature of his China policy in view of the fact that the Sato diplomacy had given the impression

among

* Embassy's telegram No. 151, June 7, 1937.

711.94/1136

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among the Chinese that Tokyo was adopting a defeatist policy in China. It was reported by the YOMIURI of June 18 that Mr. Hirota would endeavor to resolve the differences between the various elements in Japan and to enlist the united support of the nation for his policy before proceeding to put it into execution. This report, if true, would indicate that some time will be required for the formulation of a definite China policy.

Taking into account Mr. Hirota's emphasis on the necessity of solving concrete problems one by one, it would seem only natural that the first questions to be dealt with will be those most easily susceptible of solution, such as the desire of the Japanese to establish an air service between Peiping and Tokyo legally recognized by the Nanking Government, and not only by the East Hopei-Chahar Political Council, and the ownership of land in North China by Japanese subjects. A member of the Chinese Embassy Staff in Tokyo admits that these two relatively minor questions should not be difficult of solution. Next would logically follow a discussion of Japan's desire for economic concessions in North China, namely, for coal and iron mining, cotton development, and railway construction. The Chinese appear to be less amenable in these matters, having recently refused the Japanese permission to construct a railway between Tientsin and Shih-chiachwang. Besides, the Nanking Government has maintained for several months that it will not consider the matter of economic concessions to Japan until political difficulties have been disposed of. Whether China will cling to this point of view in the face of possible Japanese pressure remains to be seen.

Thirdly there are the following highly contentious issues which, if they should become the subject of negotiations, would

offer

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offer immense difficulties: China's desire for a reestablishment of sovereignty over the whole of North China, including the East Hopei and Hopei Chahar régimes, and China's insistence that Japan put a stop to smuggling by Japanese merchants in North China. Up to the present time the Japanese have given no indication whatsoever that they would be willing to relinquish their indirect but nevertheless effective control over the East Hopei and Hopei Chahar regions. At the same time, Japan has consistently affirmed that the cause beneath the smuggling in North China has been the high Chinese import tariffs and that these tariffs must be lowered before Japan can undertake to cooperate with China in the suppression of the "special trade" or smuggling. These appear to the Embassy to be the two most difficult problems that will have to be ultimately faced in any negotiations that may ensue.

Believing that China will not resort to arms to reestablish sovereignty over North China, Japan feels itself in a strong position. On the other hand, China appears to be in the fortunate position of being able to refuse the granting of economic concessions which Japan urgently needs but for the attainment of which Japan is apparently not desirous of using armed force. These two factors must be included in a careful estimate of the question whether any future recession will be made by China to Japan.

- 1/ There is enclosed a memorandum of a conversation between Dr. Mar, Second Secretary of the Chinese Embassy, and Mr. Andrews, Second Secretary of this Embassy. Dr. Mar's assertions concerning China's determination and ability to resist Japan in armed conflict should be taken with some reserve. It will be noted that
- his

1902

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his attitude is one of truculence and undue optimism, thus reflecting the enhanced sense of security that has been developed in a section of Chinese officialdom as a consequence of the developments of the past year.

Respectfully yours,



Joseph C. Grew.

710
GDA:C

✓ Enclosure:
1/ As stated above.

Copy to Embassy, Nanking;
" " " Peiping;
" " " Moscow.

090

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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Enclosure No. 1 to despatch
No. 2484 dated June 24, 1937,
from the Embassy at Tokyo.

Conversation

June 23, 1937.

Dr. T. T. Mar, Second Secretary
of the Chinese Embassy
and
Mr. Andrews, Second Secretary.

SUBJECT: Japanese policy toward China.

I asked Dr. Mar if he had been able to find out anything about the policy toward China now under consideration by the Japanese Government, which appeared to be most vague and nebulous as reported in the Japanese press. In reply he stated that while he had been unable to ascertain just what the Japanese Government had under consideration with regard to China it was his personal opinion that the Japanese had not formulated any policy whatsoever because they simply did not know what to do. Ever since the failure of the Hirota three-point policy in December 1936, which placed the Japanese in a most "undignified" light, the Japanese Government had had no definite policy with respect to China, largely because of the latter country's increased sense of power, the result of unification of the country and successful resistance to Japanese demands. China had called Japan's bluff, just as a man calls another's bluff in a poker game. China was now prepared to reject any further "arrogant demands" from Japan and to resist any further Japanese aggression even at the risk of a major war. The Japanese were fully aware of this fact, continued Dr. Mar, and were shaping their policy accordingly.

The second, and equally significant, aspect of the situation, said Dr. Mar, was Japan's realization of its own internal weaknesses, coupled with the knowledge that the

Chinese

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were clearly cognizant of this realization on the part of Japan. Heretofore Japan had always insisted that it could not deal with China, a country without unity and without a central government, but at present the reverse was the case: China had become unified under a strong central government, whereas Japan had lacked a government with unity of purpose ever since the occurrence of the Incident of February 26, 1936. Hence the Chinese were treating and would treat future propositions from Japan with care and circumspection. Dr. Mar explained that China's consciousness of power vis-a-vis Japan arose not only from the success of Chiang Kai-shek's unification program and from such happy developments during the past year as the suppression of the Kwantung-Kwangsi insurrection, the defeat by Chinese troops of the Mongols (aided by the Japanese Kwantung Army) in East Suiyan, and the liquidation of the Sian coup to the advantage of Chiang Kai-shek and the Nanking Government. This increased feeling of strength was also an outcome of the knowledge gained by the Chinese of the weaknesses in Japan's present political and financial structure. The Nanking Government felt that the Konoye Cabinet was particularly weak and therefore saw no necessity of making concessions to Japan without a proper quid pro quo. He (Dr. Mar) thought that the Konoye Cabinet could not possibly last very long unless it solved one, at least, of two pressing problems: the Sino-Japanese question and Japan's financial difficulties.

With specific reference to the probable future policy of Japan toward China, Dr. Mar asserted that his Government remained

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remained adamant on three points: the former Hirota three-point policy, should it be resuscitated by the Konoye Cabinet, would not even be discussed by Chinese leaders; Chinese sovereignty must be completely re-established over the East Hopei and Hopei-Chahar regions before any major political concessions are granted to the Japanese in North China; and Japanese smuggling in North China must be suppressed before the question of lowering Chinese import duties (a purely internal affair of the Chinese Government) can be discussed. Dr. Mar saw little hope for the solution of these problems in view of the strong stand taken by China and also of the reluctance of the Japanese military to relinquish their political and economic gains in North China. Some sort of an agreement might possibly be reached on such minor questions as the establishment of an air service between North China and Japan and land-holding by Japanese subjects in North China. Dr. Mar said that in his personal belief Mr. Kawagoe, the Japanese Ambassador to China who is due to leave for Nanking on June 24, would carry no new instructions with him but would sound out the views of the Nanking Government and that Japan's future policy toward China would be built around these views.

Appropos of the Hirota three-point policy, Dr. Mar said that it originally embraced the following points: the suppression of anti-Japanese activities in China, mutual economic cooperation in North China; and mutual cooperation in suppressing the communists in China. The

"recognition"

0906

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Department of State letter, August 10, 1972
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"recognition by China of the fact of 'Manchukuo'" had not been one of the actual three points but could be implied by reading between the lines of Hirota's program. Dr. Mar dismissed the whole three-point program as "ancient history". He said that anti-Japanese activities had decreased in China because the strong unified Government of Chiang Kai-shek, now held in respect by the Chinese people, had discouraged such activities. The suppression of the Chinese communists was, of course, no longer an issue. Questioned concerning the reasons why the Chinese communists had agreed to give support to the Chinese Government, Dr. Mar replied that these reasons were threefold: the fact that the communists had been driven into the arid regions of North Szechuan which were lacking in food supplies; the realization by the communists that imperialistic Japan, not the Nanking Government, was their "true enemy"; and instructions which had been given to the Chinese communists by Soviet Russia, which now felt the urgent need for cooperation with China to offset Japan. Dr. Mar stated that China's determination to resist any future acts of aggression by Japan had been proved by its willingness to include these anti-Japanese communists in the regular Chinese Army.

Summing up the general situation, Dr. Mar said that the change in the Sino-Japanese situation during the past two years must impress any observer. Two years ago it looked as though China would disintegrate under Japanese pressure. The Chinese Government was not sure of itself, it was only biding its time. In the meantime China had become unified and strong and was confident that it could successfully

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successfully resist Japan. If a war came now, China was prepared to face it. As long as Sino-Japanese relations could be conducted amicably, so much the better for China, which would have more time for its work of industrial and agricultural reconstruction and for its military preparations against a possible war in the future.

GDA:C

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

75-1

TELEGRAM RECEIVED
GRAY and SPECIAL GRAY

LMS

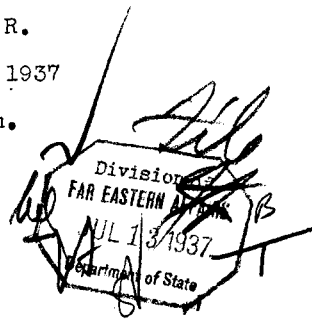
Nanking via N. R.

FROM
Dated July 12, 1937

Rec'd 4:14 p. m.

Secretary of State,
Washington.

COPIES SENT TO
U.N.I. AND M.I.D.



268, July 12, 6 p. m.

Our 267, July 12, 5 p. m. / 8719

793.94

One. An officer of the Embassy has been informed by a responsible official of the Foreign Office that in the conversations between the Foreign Office and the Japanese Embassy of July 11th and of today the Japanese advanced the view that (one) North China is a special almost independent region; (two) whatever occurs there is no proper concern of the National Government; (three) the National Government has been acting "illegally" in attempting to augment and nationalize the 29th Army; (four) the present affair is one which can be settled only by negotiations with regional authorities in the north; (five) the National Government should not interfere in the matter.

Two. The informant said the Foreign Office had intimated to Hidaka that Kawagoe should come to Nanking to arrange a settlement but Hidaka had replied that this was not necessary because it was his Government's policy

793.94/3726

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

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LMS 2-No. 268, July 12, 6 p. m., from Nanking.

policy to deal locally with matters arising in North China and he himself, having recently been Charge d'Affaires, was a sufficiently responsible official to conduct the Japanese side of any essential conversations with the Foreign Office.

Three. He said (one) the Foreign Office late July 10 sent a written protest to the Japanese Embassy which recapitulated the Chinese situation as previously explained to the Japanese orally, and (two) no reply to this communication had been received.

Four. Sent to the Department, Peiping, Tokyo.

PECK

CSB

76-1

FE

TELEGRAM RECEIVED

JR

1-1336

FROM

SPECIAL GRAY and GRAY

Nanking via N R

Dated July 12, 1937

Rec'd 3:15 p.m.

Secretary of State,
Washington.

COPIES SENT TO
O.N.I. AND M.J.D.

Division of
FAR EASTERN AFFAIRS
JUL 13 1937
Department of State

269
200. July 12, 7 p.m.

Our No. 268, July 12, 6 p.m. /8726

One. The informant cited in my telegram under reference stated further that he had just received information by telephone from Peiping that (1) fighting at Papaoshan ceased about three this morning; (2) 20,000 Japanese troops around Fengtai, most of whom had come from Manchuria via Tientsin.

He added that (one) one division Japanese troops was now en route China from Japan, (two) another was being prepared for embarkation, (3) all military leaves in Japan had been canceled, and (4) the belligerent spirit of the Japanese made it seem unlikely that a major clash could be avoided.

Three. To Peiping, Tokyo.

PECK

HPD

793.94/8727

F/FG

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

77-1

TELEGRAM RECEIVED

LMS

1-1234

This telegram must be closely paraphrased before communicated to anyone. (A)

FROM

Nanking

Dated July 12, 1937

Rec'd 3:40 p. m.

Secretary of State,
Washington.

270, July 12, midnight.

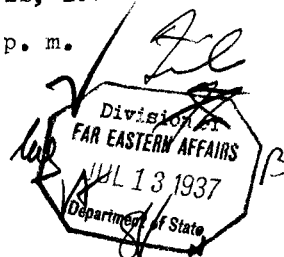
Our 269, July 12, 7 p. m. / 8727

One. Timperly telephoned to an officer of the Embassy at 11 p. m. to say that he had just completed a conversation with the Foreign Minister and the Director of the Department of Intelligence and Publicity of the Foreign Office in which the Foreign Minister had asked him to convey to the American and British Ambassadors the hope of the Chinese Government that the American and British Ambassadors come at once to Nanking. Our first reaction to this information is that if the Chinese Government desires the presence in the capital at this time of the American Ambassador, the Foreign Office should employ the usual channels of communication to make that desire known to the Ambassador. However, I pass on this information for whatever consideration it may merit.

Sent to the Department and Peiping.

PECK

WWC:CSB



0912

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

JR

1-1326

FROM GRAY

Tsingtao via N. R.

Dated July 12, 1937

Rec'd 3:20 p.m.

Secretary of State,
Washington.

COPIES SENT TO
O.N.I. AND M.I.D.



793.94
July 12, 4 p.m.

All quiet in Tsingtao. Chinese people undisturbed.

Japanese Consul General informed me this morning that he attributed North China clash entirely to the Chinese anti-Jappon policy. He was emphatic in his conviction that the clash was due to that policy. He stated there was no cause for anxiety in Tsingtao but the Japanese are much displeased by the anti-Japanese attitude of the Mayor of Tsingtao as reported by the refusal of the Mayor to recognize in any way the local Japanese resident Military Officer. See my despatch 154/3404 of October 29 last.

793.94/3729

SOKOBIN

OSB

FILED
JUL 13 1937

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

78-1

TELEGRAM RECEIVED

JR

This telegram must be
closely paraphrased be- FROM
fore being communicated
to anyone. (A)

Nanking

Dated July 13, 1937

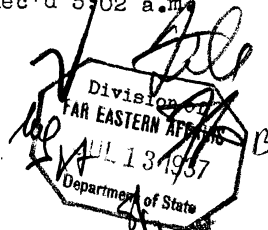
Rec'd 5:02 a.m.

Secretary of State,

Washington.

272. July 13, 9 a.m.

Our 270, ⁸⁷²⁸ July 12, midnight.



One. The First Secretary of the British Embassy received last night the same message from Timperly and subsequently made inquiry of the Foreign Office whether the message represented the Foreign Office's views. Dr. T. T. Li, Director of the Department of Intelligence and Publicity of the Ministry, informed him that such was the case and that "it was the wish of the Chinese Government" that the British and American Ambassadors come to Nanking. The British secretary has telegraphed this information to Peiping and to his Ambassador at Peitaiho.

Two. Sent to the Department, Peiping.

PECK

KLP:GW

JUL 13 1937

F/FG

793.94/8730

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

79-1

TELEGRAM RECEIVED

JR

GRAY and SPECIAL GRAY

Nanking via N R

Dated July 13, 1937

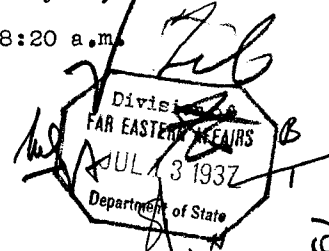
Rec'd 8:20 a.m.

1-1234

FROM

Secretary of State,
Washington.

COPIES SENT TO
U.N.I. AND M.I.D.



271. July 13, 8 a.m.

Our 270, July 12, midnight.

793.94

793.94/3731

One. Following the receipt of ominous reports telephoned last night from Shanghai by Pai, an officer of this Embassy made informal and personal inquiry of a friendly officer of the Japanese Embassy as to their veracity. The informant confirmed (one) a report that Japanese troops are being sent into North China from Korea, Manchuria and Japan but denied that the number was 50,000 as reported; and (two) a report that the Japanese authorities have requested the Chinese authorities to take whatever steps may be necessary throughout China for the protection of Japanese property and nationals. He denied knowledge of a report that Japanese cotton mills and banks in Shanghai have been instructed by Japanese authorities to make preparations for the evacuation of Japanese women and children when necessary. He received laughingly a report, which allegedly came from military forces in China, that the Japanese troops would begin a major offensive on July 15; he said that this was a matter concerning which one

could

JUL 19 1937

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3915
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

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JR #271, July 13, 8 a.m., from Nanking via N. R.

could only wait and see. As regards the Chinese Foreign
Office report mentioned in our ⁸⁷²⁷269, July 12, 7 p.m.,
that 20,000 Japanese troops were now in the vicinity
of (?) (?) he said that this also was an exaggeration.

Two. Sent to the Department Peiping, Tokyo, Hankow.
By mail to Shanghai.

PECK

WWC:RR

80-1

N H

TELEGRAM RECEIVED

JR

GRAY and SPECIAL GRAY

1-1236

FROM

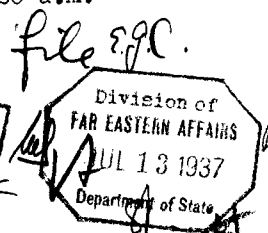
Peiping via N R

Dated July 13, 1937

Rec'd 7:20 a.m.

Secretary of State,
Washington.

COPIES SENT TO
O.N.I. AND M.I.D.



793.44

226. July 13, 4 p.m.

Embassy's 225, July 12, 6 p.m.

One. Several clashes took place during last night two or three miles west of Peiping and a short distance south of the South Wall. In some instances Japanese soldiers were involved and in others Japanese and Koreans in plain clothes in small groups. None of the clashes were apparently serious.

Two. Whatever negotiations may be in progress in Peiping they seem to be ineffectual. Chinese claim that this is because Japanese officers at present in Peiping are of comparatively low rank (Lieutenant Colonel Matsui being the highest) and that their decisions are countermanded by higher officers elsewhere. Matsui is reported as stating this morning that he is attempting to arrange a truce.

Three. According to a Chinese official reports are being constantly sent by local Chinese officials here to Sung Chie Yuan in Tientsin. Presumably negotiations are in progress there which may be more effective.

Four

793.94/8732

FILED

F/FG

80-2

-2-

JR #226, July 13, 4 p.m., from Peiping via N. R.

Four. Various Chinese claim that many thousands of Central Government troops have entered Hopei from Honan and that these are Manchukuo Minchun troops, which have therefore good relations with Sung's army. One official claims definitely to have accurate information that some of them have already reached Changhsien, which is the first station south of Marco Polo on the Peiping-Hankow line. Those commanding these forces are stated to be Pang Ping Hsun, Sun Lien Chung, Wan Fu Lin, and Liu Chih.

Five. All reports of the morale of Sung's forces and officials are favorable. The Chinese population in Peiping is considerably more restrained than during similar situations in the past. No (repeat no) Chinese will admit that any agreement has been entered into with the Japanese, other than the original understanding for withdrawal of troops. Japanese troops have definitely not (repeat not) withdrawn from the Wanpingsien area, except perhaps partially. Three thousand Japanese troops are reliably reported to have arrived at 7 this morning at Tientsin.

Six. About six hundred Japanese troops, with forty trucks and seven field pieces, arrived at a northeast gate of Peiping last evening. They were refused entry and proceeded in a southern (*). Foreign observers claim they

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-3-

JR #226, July 13, 4 p.m., from Peiping via N. R.

they were from Koupeikou but a Chinese official states that they came from Tungchow.

Seven. An explosion occurred at noon today at Tahungmen between two and three miles south of the South Wall on the road to Manyuan. A Chinese official has informed the Embassy that three motor cars carrying about ten Japanese soldiers, (*) to pass through Tahungmen going south when they were stopped by Chinese soldiers; that the Japanese attempted to fire and were themselves fired on; that one Japanese was killed, one injured and the others fled; and that one motor car exploded. Eight. There is a report that firing broke out at Fengtai at 11:30 a.m. today. This has been denied by one Chinese official. Another admits it, adding that the firing is not serious.

Nine. No (repeat no) trains are entering or leaving Peiping today.

Repeated to Nanking, Shanghai and Tokyo.

JOHNSON

(*) apparent omissions

HPD

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

81-1

TELEGRAM RECEIVED

MJD

PLAIN

1-1330

FROM Peiping via N. R.

Dated July 13, 1937.

Rec'd. 11:55 a. m.

Secretary of State,
Washington.

COPIES SENT TO
O.N.I. AND M.I.D.

Division
FAR EASTERN AFFAIRS
JUL 14 1937
Department of State

773.94

227, July 13, 5 p. m.

Embassy's 226, July 13, 4 p. m. / 8732

WB
1-7-39

Reuter has issued the following report, taken from the
SHIH CHIEH JIH ^{PAO} ~~PRO~~, a Peiping Chinese newspaper: "Tientsin
July twelve. General Sung Che Yuan, chairman of the Hopei
Chahar Political Council, who returned from Loling by motor
car yesterday evening issued the following written statement
to the press this evening through his chief secretary Dr.
Wang Shih Chiu, 'The Lukeouchiao incident is most unfortunate
for the Far East but fortunately it is a local affair which
may be settled amicably.

Being the two leading nations in the Far East China
and Japan should always give due regard to peace and order
instead of inviting trouble.

Humanity in this world must recognize its own respon-
sibility. I am always in favor of peace and jealous of the
welfare of humanity and will not do anything that may entail
unnecessary sacrifice to society. When everything is settled

in

793.94/3733

FILED

0920
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

81-2

MJD --2-- No. 227, July 13, 5 p. m. from Peiping via N. R.

in accord with law and reason society will be peaceful.

When there is content, peace reigns, otherwise there will be disharmony.

It is to be hoped that those responsible for the conduct of affairs will take a large view of the situation in the Far East. If one is bent on self aggrandizement the rise and fall of nations is something which cannot be anticipated with absolute certainty.' "

JOHNSON

CSB

092

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

82-1

FE

TELEGRAM RECEIVED

MJD

1-1336

SPECIAL GRAY

FROM

Nanking

Dated July 13, 1937.

Rec'd. 11:50 a. m.

file
e.g.c.

Secretary of State,
Washington.

COPIES SENT TO
O.N.I. AND M.I.D.



277, July 13, 5 p. m.

One. An officer of the Embassy has been informed by a spokesman of the Foreign Office that (1) early this morning one thousand Japanese troops attacked Nanyuan near Peiping (presumably to obtain control of the air field there) but were repulsed by the Chinese troops; (2) the Japanese have torn up the railway tracks around Peiping; (3) two factions have developed in the 29th army: (a) one headed by Ho Pei, Chairman Feng Chiran and Peiping Mayor Chin Teh Chun who are loyal to the National Government and advocate fighting, and (b) one headed by Sung Che Yuan which advocates surrendering to Japanese demands; (4) the Chinese in the north have not (repeat not) signed any agreement with the Japanese.

Two. He said that the Foreign Office yesterday afternoon sent a memorandum to the Japanese Embassy here stating that no arrangement for the settlement of the Lukouchiao incident will be valid without the sanction of the Central Government.

Three. Another Chinese official, who is of cabinet rank,

793.94/3734

FILED

JUL 15 1937

0922

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

82-2

MJD --2-- No. 277, July 13, 5 p. m. from Nanking

rank, has telephoned that orders have been issued for the
return to Nanking of all National Government officials now
at Kuling.

Four. Sent to the Department, Peiping, Tokyo. By
mail to Shanghai.

PECK

RR
WWC

192

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



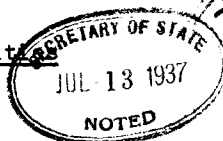
DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

July 12, 1937



Subject: The Chinese-Japanese Hostilities
near the Marco Polo Bridge.



1. For several years the so-called Kwantung Army has acted in Manchuria and in north China as a self-appointed spearhead of Japanese policy vis-à-vis China. That Army has frequently assumed a very independent attitude vis-à-vis higher authority of the Japanese Government in Tokyo; and, subordinates within that Army have taken independent attitudes vis-à-vis their own higher command.

2. The Kwantung Army has been intent upon separating certain parts of north China from the control of the National Government of China at Nanking. From time to time its activities have been restrained by authorities in Tokyo. Its pressure appeared a few months ago to have been relaxed, in consequence in part of efforts at Tokyo and in part of the increasing indications of an intention on the part of the Nanking Government to put up armed resistance in the event of the pressure being increased.

3.

793.94/8735

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JUL 13 1937

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

- 2 -

3. It has been known for some time that the Japanese (whether the Kwantung Army or that Army and the Tokyo Government cannot be said with assurance) has been intent upon acquiring an air field in the neighborhood of the Marco Polo Bridge. Also, the Kwantung Army has been desirous of a withdrawal of Chinese armed forces stationed in that neighborhood. That region is of special strategic importance, because of its proximity to Peiping, its relation to the railway line to Tientsin and northeastward and its relation to the railway line from Peiping southward to Hankow. In that area the two railway lines come close together. By cutting those railway lines, Peiping can be isolated.

4. What seems to have happened last week is this: Japanese military units located in the neighborhood of the Marco Polo Bridge began certain "maneuvers." At a given moment they encountered Chinese soldiers whom they knew in advance to be in that area, and hostilities ensued. Accounts vary as regards immediate antecedents of the armed conflict. The simple fact is that Japanese soldiers were stationed and were engaged in operations in an area where their presence and their operations involved constant likelihood of a clash. The clash having occurred, efforts have been in progress ever since to bring about a cessation of hostilities which have progressed intermittently. Mean-
while

0924
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

- 3 -

while, the Kwantung Army is moving additional troops in the direction of the area where the fighting is taking place and the Nanking Government is moving up troops from the south toward that point.

5. Chinese authorities are apparently convinced that this is the beginning of a deliberate action on the part of the Kwantung Army (Japanese higher authority?) to press further toward cutting off north China; and there appears to be an intention on the part of the Nanking Government to resist this effort with force if necessary.

FE:SKH/ZMK

0926

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



83-1

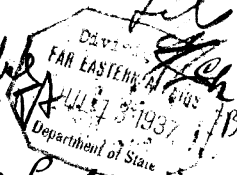
DEPARTMENT OF STATE
 DIVISION OF FAR EASTERN AFFAIRS

July 12, 1937.

Conversation:

Counselor of Chinese Embassy,
 Mr. Zaung Teh Ing;
 Mr. Hamilton.

*Copies sent to Peking, Tokyo, London
 Paris & Rome July 26.*



The Counselor of the Chinese Embassy telephoned
 Mr. Hamilton and communicated to Mr. Hamilton the sub-
 stance of a cablegram which the Chinese Embassy had just
 received from the Chinese Foreign Office, as follows:

Situation in North China extremely
 grave. Tokyo has despatched 5th Division
 from Japan, while 10th Division is in readi-
 ness. Japanese Navy has been ordered to
 stand by. Japanese troops concentrated at
 Fengtai number over 20,000. Suggest that
 Embassy take up with the Department of State
 whether it would be possible for America to
 do something in a mediatory capacity.

Mr. Ing stated that the last part of the telegram
 with reference to whether or not it would be possible
 for the United States to do something in a mediatory
 capacity was the important part of the message.

Mr. Hamilton said that he would bring the message
 at once to the attention of Mr. Hornbeck.

733.94/3736

JUL 17 1937

FE:MMH:EJL

FE

TAM

0927

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

84-1

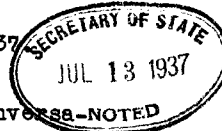


DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

JUL 13 1937

July 12, 1937



Reference, memorandum of Mr. Hamilton's conversation

tion with Mr. Ing this morning and Nanking's telegram
265, July 12, 3 p.m.

It is believed that any step that might be taken
by this Government toward action "in a mediatory capacity"
would (at this moment) be premature and ill-advised;
would be likely to aggravate rather than to ameliorate
the situation.

The Secretary has already expressed to the Japanese
Ambassador certain views, and Mr. Hornbeck has expressed
to the Counselor of the Chinese Embassy certain views,
the indication given in both cases being that this Govern-
ment would look with great disfavor upon a development
to the point of seriousness of hostilities between Japan
and China.

There is a step which the British Government might
take which might have some effect toward restraining
the Japanese: the British Government might tell the Japa-
nese Ambassador in London that so long as there are
hostilities between Japanese and Chinese armed forces
the British Government cannot continue conversations with
the

793.94/8737

JUL 13

0928

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

84-2

- 2 -

the Japanese Government on the subject of a possible agreement with regard to Far Eastern matters.

For the moment, this Government should, it is believed, make no approach to either the Chinese or the Japanese authorities and make no public comment.

SKH

FE:SKH/ZMK

1925

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

85-1

DEPARTMENT OF STATE

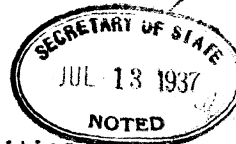
DIVISION OF FAR EASTERN AFFAIRS

Conversation.

July 12, 1937.

Mr. Zaung Teh Ing,
Counselor, Chinese Embassy.

Mr. Hornbeck.



Subject: The Chinese-Japanese Hostilities
near the Marco Polo Bridge.

Mr. Ing called this morning at eleven o'clock by appointment made by the Chinese Ambassador yesterday.

Mr. Ing gave me the paper here attached which he said was a very brief digest of information received by the Chinese Embassy.

I read this paper and inquired whether this was all that the Embassy had received. Mr. Ing replied that this was merely a digest and that they had received several messages this morning which were at the moment being decoded.

I asked Mr. Ing how he viewed the situation. Mr. Ing replied: "I am afraid it means war." I made rejoinder: "Surely you do not mean that either the Chinese Government or the Japanese Government want war." Mr. Ing then said that the Japanese, especially the Kwantung Army, had long wanted to cut north China off from the rest of China and that the operations of the Japanese troops last week and now appear to be deliberately provocative. He said that they

793.94/8738

FILED
JUL 13 1937

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

85-2

- 2 -

they had made the excuse that one of their men had been found missing and had demanded that they be permitted to search the village of Wanpingsien but that later the allegedly missing man had been found unharmed among the men of his own unit.

Mr. Ing said that the Japanese were moving in troops from Manchuria and that Nanking had ordered six divisions to move northward.

Mr. Ing asked what would be my advice to China. I said that I was not in position to offer advice but that I felt warranted in expressing the hope that each and both sides would exercise restraint; that I could point out that neither side could afford terrific costs which war would involve; that each and both sides must consider a great variety of interests, including both the interests of their own people and the interests of the whole world; and that no country should permit itself to be rushed into war.

Mr. Ing said that he would send me as soon as possible the additional information which his Embassy had. I suggested that he keep us as fully informed as he might feel appropriate.

The conversation there ended.

FE:SKH/ZMK

SKH

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

85-3

July 7, 1937:

The Japanese troops, after maneuvering at Lukouchiao, discovered that one of their members was missing. They alleged that the soldier was murdered by the Chinese and demanded to search the Wanningtsien city. Upon the refusal by the Chinese authorities of this demand, the Japanese bombarded the city with artillery and machine guns. The Chinese soldiers did not return fire until it was absolutely necessary for them to do so.

July 8, 1937:

At 8:00 A.M., fighting ceased temporarily. The Japanese demanded the withdrawal of the Chinese troops before 11:00 A.M. This demand was rejected. In the meantime train loads of Japanese reinforcements were rushed to Fengtai. At 7:00 P.M., sporadic fighting restarted between the two forces and continued until midnight, when negotiations were started for the withdrawal of troops by both sides.

July 9, 1937:

The Ministry of Foreign Affairs delivered to the Japanese Embassy in Nanking a strong protest regarding Lukouchiao incident, demanding immediate cessation of provocative activities in order to effect a peaceful settlement as soon as possible. Fighting ceased for the time being. Although both sides had agreed to withdraw from Lukouchiao, yet more than 200 Japanese soldiers continued to stay on over the night with the excuse of searching their dead comrades, while on the contrary, they were increasing their numbers and making preparations for further fighting.

July 10, 1937:

About 5:00 P.M., the Japanese soldiers again suddenly severely attacked the Chinese soldiers and the latter were forced to respond in self defense.

July 11, 1937:

Severe fighting was still in progress at 3:00 A.M., and Japanese reinforcements continued to pour in from Shanhaikuan for Lukouchiao and the environs of Peiping.

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

86-1

TELEGRAM RECEIVED

MJD

GRAY

1-1336

FROM

Shanghai via N. R.

Dated July 13, 1937.

Rec'd. 11:45 a. m.

COPIES SENT TO
O.N.I. AND M.I.D.

Secretary of State,

Washington.

358, July 13, 6 p. m.

My 352, July 12, noon.



Shanghai quiet but pessimistic. Chinese are becoming more outspoken in their criticism of the Japanese. Citizen, student and other Chinese organizations have despatched messages to the 29th Route Army praising courage displayed and advocating resistance to the last. These messages have appeared in the local press.

Japanese Consul General has requested local Chinese authorities adequately to protect Japanese dealers and representative of Japanese Consulate General this morning informed foreign news representative that Japanese are pleased with protective measures taken by Chinese. Local Japanese officials reported as becoming very pessimistic regarding North China situation.

Sent to the Department and Peiping. By mail to Nanking.

GAUSS

GW
KLP

793.94/3739

FILED

093
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

87-1

TELEGRAM RECEIVED

MJD

1-1336

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

Peiping

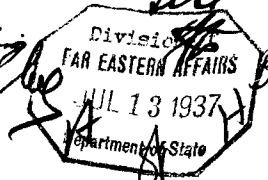
FROM

Dated July 13, 1937.

Rec'd. 11:58 a. m.

Secretary of State,
Washington.

*Telegram to Peiping
July 13, 1937.*



793.94
228, July 13, 6 p. m.

Nanking's 270 / 8728 July 12 midnight and 272, July 13, / 8730

9 a. m.

I have been informed that British Ambassador who is now at summer home in Peitaiho, will probably go to Nanking.

In view of the fact this request comes indirectly through a newspaper correspondent and not directly to me or through Peck, I am not planning to leave Peiping where I consider situation so delicate that I think my presence here for the time being necessary. My decision in this matter of course is subject to the Department's wishes. I would feel differently about it if the *Minister for Foreign Affairs* were to make the request direct.

Repeated to Nanking.

JOHNSON

CSB

(*) Apparent omission

793.94/8740

FILED
JUL 15 1937

0934

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

88-1

W #

JR

TELEGRAM RECEIVED

GRAY

Tokyo

1-1336

FROM Dated July 13, 1937

Rec'd 12:45 p.m.

Secretary of State,
Washington.

COPIES SENT TO
O.N.I. AND M.I.D.

Division of
FAR EASTERN AFFAIRS
JUL 13 1937
Department of State

793.94

193. July 13, 6 p.m.

My telegram No. 191, July 12, 8 p.m.

One. Information has been received from a usually reliable source that yesterday afternoon the Chinese made a surprise attack on the Japanese forces and inflicted heavy casualties, estimated at 300 killed. The opinion was expressed by my informant that such losses would excite the Japanese military to further acts of aggression. On the other hand it was stated to us this morning at the Foreign Office, and confirmed to the Military Attache by the War Office, that there has been no (repeat no) engagement between the Japanese and Chinese forces since that referred to in paragraph one of my number 191. The statement was made by the Foreign Office that there had been a collision between two Chinese detachments on the west bank of the Yungting River, each detachment supposing that the other was Japanese.

793.94/3741

MB
1-5-38

Two. We are informed by the *foreign office* (*) that the situation at the present time is "no worse" than it was yesterday, for the reason that there has been no (repeat no) subsequent fighting, this view being shared by the War

Office

88-2

-2-

JR #193, July 13, 6 p.m., from Tokyo.

Office. We are further informed that there are no (repeat no) negotiations in progress between the Chinese and Japanese Governments looking toward the settlement of the affair, for the reason that the Japanese Government considers it to be a "local matter", and therefore a matter for negotiation with the Hopei-Chahar Council. However, the Chinese Government had, in the opinion of the Foreign Office, taken cognizance of the incident by publicly denying the validity of the written agreement of settlement effected by the Japanese military authorities with the Hopei-Chahar Council, on the ground that such agreement could not be effected without the approval of the Chinese Government, and by ordering a large body of troops to move toward the Peiping area.

Three. The unexpected return yesterday of the Emperor to Tokyo, a meeting of the Imperial Princes, and other similar events that have recently occurred and have been prominently published have been arranged, in our opinion, largely in the way of pageantry to encourage support by the Japanese people of the position taken by the Japanese Government (although there is little evidence that such encouragement is needed) and to impress upon the Chinese people the seriousness of the situation. On the other hand, there has been a

conspicuous

6
0936
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

88-3
-3-

JR #193, July 13, 6 p.m., from Tokyo.

conspicuous lack of the usual newspaper extras, which fact tends to strengthen the impression that the Government is not striving to create an emotional condition which would prejudice the possibility of a settlement with the Chinese.

Four. The Naval Attache learned today at the Navy Department that the third squadron (Vice Admiral Hasegawa's squadron) is now in Chinese waters and that the Admiral himself ~~is~~ in Shanghai. A naval landing force of 1500 men and a large number of ships to reenforce the China squadron are standing by. The Naval Attache was not informed that no (repeat no) army troops have been sent to China as reenforcements, while the Military Attache was informed by the War Office that no (repeat no) army reenforcements have been sent from Japan proper, leaving room for assumption that reenforcements may have been sent from Manchuria or Korea. The War Office stated definitely that preparations have been made for immediate sending of additional troops if and when required. A fairly reliable informant indicated that the troops designated are the third, fourth (now in Manchuria) and 10th divisions.

Repeated to Peiping.

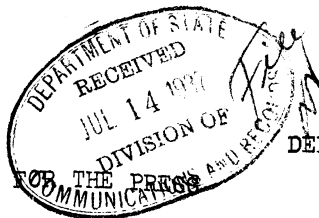
GREW

KLP:WWC

(*) ~~apparent omission~~

193

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

JULY 12, 1937

The Japanese Ambassador and the Counselor of the Chinese Embassy each called at the Department this morning, and communicated information in regard to events in North China. In the course of the conversations which ensued both were given expression of the view that an armed conflict between Japan and China would be a great blow to the cause of peace and world progress.

793.94

793.94/8741
1
2

1938

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

89-1

TELEGRAM RECEIVED

MJD

Tokyo

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

FROM

Dated July 13, 1937.

Rec'd. 1:45 p. m.

Secretary of State,
Washington.

196, July 13, 9 p. m.

CONFIDENTIAL.

793.94

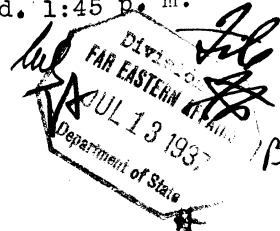
One. The British Charge d'Affaires today informed me that Eden had inquired of Bingham whether some combined Anglo-American demarche in Tokyo and Nanking would be favorably considered by the American Government. ¹Dodds proposes to reply that any direct representations would be resented in Tokyo but that he sees no reason why the British representatives in Nanking and Tokyo might not simultaneously inquire of the Chinese and Japanese Governments whether they could in any way help at the present juncture.

Two. Dodds' feeling is that the Japanese Government might conceivably still welcome some method of avoiding general combat if they could do so without loss of face.

Three. I see no reason why we should take action.
Repeated to Peiping.

GREW

KLP
RR



793.94/8742

FILED
JUL 15 1937

F/FG

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

TELEGRAM RECEIVED

JR

GRAY

Nanking via N R

FROM

Dated July 13, 1937

Rec'd 11:57 a.m.

Secretary of State,
Washington.

~~CONFIDENTIAL~~

Division of
FAR EASTERN AFFAIRS
JUL 13 1937
Department of State

276. July 13, 10 p.m.

One. I respectfully request confirmation by radio
of following Reuter's report dated today at Washington:

"The State Department announces that Cordell Hull
has informed the Japanese Ambassador and the Counselor
of the Chinese Embassy that an armed conflict between
Japan and China would be a great blow to the cause of world
peace and progress".

Two. Repeated to Peiping.

PECK

KLP:RR

793.94/3743

FILED

JUL 13 1937

0940

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

Collect

Charge Department

OR

Charge to

\$

TELEGRAM SENT *Plain*

TO BE TRANSMITTED
CONFIDENTIAL CODE
NONCONFIDENTIAL CODE
PARTAIR
PLAIN

Department of State

1937 JUL 13 PM 5 45

Washington,

DIVISION OF
COMMUNICATIONS
JUL 13 1937

July 13, 1937.

Naval Radio
Plain

AMEMBASSY

NANKING (CHINA). *via N.R.*

103 Rush Thirteenth

Your 276, July 13, 10 p.m.

The report is correct *in substance.* For text of statement released by

the Department see radio bulletin No. 160 of July 12.

Hull
5/44

793.94/8743

793.94/8743

FE:MMH:VCI

FE

✓
DS
Jul. 13 1937.PM

Enciphered by _____

Sent by operator _____ M., _____ 19____

D. C. R.—No. 80

1-1462 U. S. GOVERNMENT PRINTING OFFICE

F/FG

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

90-1

FE

TELEGRAM RECEIVED

JR

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

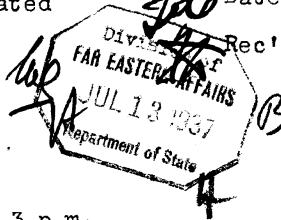
Nanking

FROM

Dated July 13, 1937

Rec'd 11:35 a.m.

Secretary of State,
Washington.



275. July 13, 3 p.m.

Our 270. July 12 midnight and 272. July 13, 9 a.m.

One. Dr. T. T. Li, director of the Department of Publicity and Intelligence of the Foreign Office just inquired of Atcheson over the telephone concerning the present movements of the Ambassador and stated that while the Foreign Office did not wish to make an official request for the Ambassador's presence in Nanking, it considered it "highly desirable" that he come here. Li asked that this statement be telegraphed to the Ambassador.

Two. Sent to the Department and Peiping.

PECK

JUL 16 1937

793.94
note
123 J

793.94/3744

0942

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

90-2

FE

PREPARING OFFICE
WILL INDICATE WHETHER

TELEGRAM SENT

TO BE TRANSMITTED
CONFIDENTIAL CODE
NONCONFIDENTIAL CODE
PARTIAL
PLAIN

Collect
Charge Department
OR
Charge to

Department of State

This cable was sent in confidential Code.
It should be carefully paraphrased before
being communicated to anyone. **A-1**

1937 JUL 13 PM 6 37

Washington.

July 13, 1937.

DEPT OF STATE
COMMUNICATIONS SECTION

7 pm

AMEMBASSY

PEIPING (China).

116 220 July 13, 6 p.m. and Nanking's
Your 275, July 13, 3 p.m.

Department feels it desirable that you remain where you are pending further developments. If developments cause you to feel that you should proceed to Nanking, please consult Department.

note
1238

793.94 / 8740
8744

Hull
P. H.

793.94/8744

FE:SKH:VCI

FE

22.11.11

Enciphered by _____

Sent by operator _____ M., _____, 19____

D. O. R.—No. 50

1-1462 U. S. GOVERNMENT PRINTING OFFICE

F/FG

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

91-1

TELEGRAM RECEIVED

MJP

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

Tokyo

FROM Dated July 13, 1937

Rec'd 1 p.m.

Secretary of State,
 Washington.

of paraphrase
 COPIES SENT TO
 U.N.I. AND U.M.I.D.
in strict confidence
3mx

Liberty
 Division of
 FAR EASTERN AFFAIRS
 JUL 13 1937
 Department of State
Ch B

793.94

192, July 13, 5 p. m.

I desire to submit the following summary of the
 situation in analysis of the present Japanese attitude
 with regard to China.

One. Unanimity of opinion is striking. It is not
 a case of unwilling deference by the government to
 military initiative. The cabinet enjoys high prestige,
 is wholly in command and lends full support to steps
 recently taken by the Japanese army in North China.
 The press has shown no disposition to question the
 Japanese Government's stand on the Marco Polo Bridge
 incident and wide-spread expressions of approval in the
 newspapers bear every indication of spontaneity. No
 intimation has reached the Embassy that a difference of
 view prevails in the Foreign Office.

Two. Preparation for such further use of force in
 North China as may be thought necessary is extensive
 and well coordinated. A high ranking and competent officer,
 Lieutenant General Kiyoshi Kazuki, was suddenly des-
 patched

793.94/8745

JUL 15 1937
 FILED

91-2

MJP -2- No. 192, July 13, 5 p. m. from Tokyo

patched to command the North China garrison. The Government has taken the precaution of conferring with and obtaining the cooperation of leaders in the Diet, in the political parties, in business and banking, and in the press. The Government is gathering its forces to make effective whatever decision is reached.

Three. At no time during the period of my assignment at this post have I observed indications of so strong and unanimous a determination on the part of the Japanese Government to resist even at the cost of extensive hostilities any movement which might tend to weaken the position of Japan in North China.

Four. The three paragraphs above, I believe, can be set down without qualification. I do not, however, feel that we are yet in possession of sufficient evidence to justify the hypothesis that either the Japanese Government or the army deliberately engineered the incident in order to force a "show down". I think it not impossible that the Government might still be glad to find some method of avoiding general combat without loss of face.

Repeated to Peiping.

GREW

WWC
RR

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

(CONFIDENTIAL)

91-3

P A R A P H R A S E

A telegram (No. 192) of July 13, 1937, from the American Embassy at Tokyo reads substantially as follows:

An analysis of the attitude of the Japanese at the present time in regard to China is submitted by the American Ambassador in the form of a summary of the situation to the following effect:

There is a striking unanimity of opinion which is not a case of unwilling submission on the part of the government to military initiative. The Japanese Cabinet whose prestige is high gives full support to steps which the Japanese army has taken in North China recently and is entirely in command. No inclination has been shown by the press to question the stand taken by the Japanese Government on the incident at Marco Polo Bridge and the general expressions of approval in the press seem to be spontaneous. The American Embassy has received no intimation that there prevails in the Foreign Office a difference of opinion.

11/12/72
 Lieutenant General Kiyoshi Kazuki, a competent officer of high rank, was sent suddenly to take command of the garrison in North China. There is well coordinated and extensive preparation for such further use of force as may seem to be required in North China. The Government has been careful to consult with and obtain the cooperation of the country's leaders - in the Diet, in banking and business, in the press and in the political parties - and is mustering its forces in order to put into effect such decision as may be arrived at.

The

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

91-4

- 2 -

The Ambassador remarks that never during the time in which he has been stationed at Tokyo has he noted signs of a determination, so unanimous and strong, on the part of the Japanese Government to oppose any movement which might have a tendency to lessen the strength of Japan's position in North China even if such opposition should mean extensive hostilities.

The Ambassador feels that he does not yet have enough evidence to warrant the assumption that, in order to force a "show down", either the Japanese army or the Japanese Government engineered the incident deliberately. However, he expresses the belief that the statements in the foregoing paragraphs can be made without qualification. He is of the opinion that if some way of avoiding general hostilities without losing face could be found the Japanese Government might possibly still be pleased to find this way.

793.94/8745

FE:EGC

EE

VII-14-37

094
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

92-1

TELEGRAM RECEIVED

MA

This telegram must be
closely paraphrased
before being communicated
to anyone. (C and A)

FROM London

Dated July 13, 1937

Rec'd 2:20 p. m.

Secretary of State

Washington

RUSH

466, July 13, 7 p. m.

STRICTLY CONFIDENTIAL.



Cadogan told Johnson late this afternoon that he
had just been informed by the French Ambassador that
the Japanese Ambassador in Paris had called on the
French Foreign Secretary and stated that "recent
incidents in North China were not of a local character
but are the result of anti-Japanese feeling stirred up
in North China by the Nanking Government; that the
Japanese, having a special interest in Manchukuo, would
have to take the necessary measures to safeguard their
interests; that Japan has decided to put an end to this
agitation and if circumstances require it she would
abandon her positions in South China and concentrate
the North; that all Japan was united in this matter and
that the illusions created by certain statements of Sato
were being rapidly dissipated".

793.94/3746

FILED
JUL 14 1937

Cadogan said that this information looked very serious
to him. The Japanese Ambassador in London has not (repeat
not)

7941
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

92-2

MA -2- 466, July 13, 7 p. m., from London

not) yet made a similar communication to the Foreign Office.
Cadogan said that he did not understand what was meant
by Japan abandoning her positions in South China.

Cadogan said that the French Ambassador had also
informed him that the French Ambassadors in Tokyo and
Nanking have been instructed to cooperate with the British in
any attempts at conciliation the British Government may decide
to make. A telegraphic instruction has been sent this
afternoon to Sir Ronald Lindsay containing suggestions for
possible action at Tokyo and Nanking to alleviate the
situation, which Cadogan expects you will receive tomorrow
morning.

BINGHAM

KLP:GW

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

93-1

TELEGRAM RECEIVED

LMS

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

FROM Peiping

Dated July 13, 1937

Rec'd 2:40 p. m.

Secretary of State,
Washington.

COPIES SENT TO

U.S. I. AND M. I. D.

230, July 13, 8 p. m.

Embassy's 221, July 12, 1 p. m.

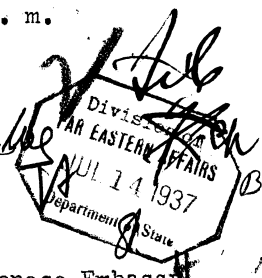
One. The Secretary of the local Japanese Embassy

mentioned in the first paragraph of the above-mentioned telegram insisted this afternoon emphatically in conversation with a member of my staff that Chang Tzu Chung, Mayor of Tientsin, and Colonel Chang Yun Jung, an officer under General Sung Che Yuan, signed on July 11 the Japanese demands which he had outlined to the same member of my staff; that is (one) apology (two) punishment and (three) promise of non-recurrence; that there was a fourth provision; namely, putting down of anti-Japanese activities including blue shirts and Communism; that Chang Tzu Chung requested that the signing of these demands be kept secret; and that the foregoing information was telegraphed by the local Embassy to the Foreign Office at Tokyo.

Two. There seemed to be no doubt that the speaker was sincere in what he said. (END SECTION ONE)

JOHNSON

CSB



793.94/3747

JUL 19 1937

FILED

F/FG

0951

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

93-2

TELEGRAM RECEIVED

MJD

1-1338

GRAY AND SPECIAL GRAY

FROM Peiping via N. R.

Dated July 13, 1937.

Rec'd. 10:55 a. m.

Secretary of State,
Washington.

230, July 13, 8 p. m. (Section Two)

Three. Chinese in the meantime have signed agreement and requested secrecy so that the fact of signing has not (repeat not) been definitely established until long afterwards.

Four. When the informant was told that local Chinese officials claim that the signing of an agreement, which included suppression of Communism and Blue Shirts, would mean separation of this province from Nanking and its practical control by the Japanese military he replied that Major General Hashimoto, who was the ranking Japanese in the negotiations, had definitely informed the Embassy that the Japanese military intended to obtain no (repeat no) political concession from the Marco Polo incident. The informant added that the entry of the Kwantung army into the situation may have altered this aspect of it.

Five. The informant stated that the future depends upon three things: (1) The carrying out of the agreement by the Chinese; (2) the ^{NON} advance upon Japanese troops of Chinese

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

93-3

MJD --2-- No. 230, July 13, 8 p. m. (Section Two)
 from Peiping via N. R.

Chinese troops west of Peiping, and; (3) the northward advance of Chinese troops from Honan and Southern Hopei. He said that Chinese troops from Southern Hopei had definitely arrived at Changtinghsien just south of Marco Polo Bridge.

Six. He described the Japanese line as extending from Fengtai to Wanpinghsien with some Japanese forces along part of the road from Wanpinghsien to Peiping. He described the Chinese forces as being west of the Yungting River and also in the area of the summer palace.

Seven. He stated that as far as he knows negotiations are not (repeat not) going on at Tientsin as Sung Che Yuan claims he is ill and refuses to admit visitors.

Eight. He stated that the troops which arrived at the northeast gate of Peiping last night (reference paragraph six of Embassy's 226, July 13, 4 p. m.) were troops of the Embassy guard returning from Tungchow and not (repeat not) troops from Koupeikou. He said that the firing near Peiping last night was unimportant as no (repeat no) Japanese participated, the firing again being due to Chinese misapprehension.

Repeated to Nanking, Shanghai and Tokyo.

JOHNSON

KLP
 HPD

0952

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

(CONFIDENTIAL)

PARAPHRASE

CONFIDENTIAL

Section one of a telegram (No. 230) of July 13, 1937,
 from the American Ambassador at Peiping reads substantially
 as follows:

During the course of a conversation on July 13 with a
 member of the American Embassy staff the secretary of the
 Japanese Embassy in Peiping insisted emphatically that ^{on July 11} the
 Mayor of Tientsin (Chang Tzu-chung) and an officer under
 General Sung Che-yuan (Colonel Chou Yung-yeh) signed the
 Japanese demands which he (the Japanese secretary) had
 previously outlined (see Peiping's telegram No. 221 of
 July 12). These demands were (a) apology, (b) punishment,
 and (c) promise to prevent recurrence of such incidents,
 together with an additional provision relating to the putting
 down of blue shirts, Communism and other anti-Japanese acti-
 vities, and the Mayor of Tientsin had asked that the signing
 of these demands be not made known. According to the Japa-
 nese secretary the foregoing information was sent by tele-
 graph to the Japanese Foreign Office by the Japanese Embassy
 in Peiping.

The Japanese secretary seemed undoubtedly straightforward
 in the information which he gave.

793.94/8747

 EGC.
 FE:EGC

FE

VII-14-37

793.94/8747

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

94-1

F
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TELEGRAM RECEIVED

LMS
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (C)
Paris
FROM
Dated July 13, 1937
Rec'd 6 p. m.

Secretary of State,
Washington.
DIVISION OF
EUROPEAN AFFAIRS
JUL 20 1937
ECW
DEPARTMENT OF STATE

July 15 to
July 15 1937
Division of
FAR EASTERN AFFAIRS
JUL 14 1937
Department of State
file

793.94

RUSH.
973, July 13, 5 p. m.
STRICTLY CONFIDENTIAL.

I discussed this afternoon with Leger and the
Chinese Ambassador the situation in the Far East. Leger
stated that the note which the Japanese Government had
presented to the French Government yesterday together with
the accompanying explanations convinced him that the
Japanese military authorities had decided definitely to
turn North China as far south as the Yellow River into
another Manchukuo. He believed the Japanese military
authorities were taking advantage of the strained situa-
tion in Europe and the present weakness of the Soviet
Union to impose their will on China. He believed that
the Japanese Army had been much disturbed by the pacific
policy which Sato had attempted to inaugurate when he
was Minister of Foreign Affairs and had felt that there
was little ^{time to} ~~(be)~~ be lost if North China was to be brought
under Japanese domination.

The Chinese

793.94/8743

JUL 21 1937

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SW

94-2

LMS 2-No. 973, July 13, 5 p. m., from Paris.

The Chinese Ambassador yesterday had on instructions from his Government asked the French Foreign Office whether the French Government would consider it desirable at this moment to invoke Article Seventeen of the Covenant of the League of Nations. The French Government in reply had asked for time to consider the question.

Leger expressed to me the opinion that to call on the League of Nations to attempt to settle this dispute would be extremely damaging to the League which once again would prove to be impotent and would be equally damaging to China for the Chinese would be apt to believe that they could count on real support from the League when in reality they could count on no support from the League. He thought that the matter might perhaps be handled more effectively by invoking Article Seven of the Washington Treaty.

END OF SECTION ONE.

BULLITT

SMS:EMB

~~(*) Apparent omission.~~

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

94-3

TELEGRAM RECEIVED

LMS

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

FROM Paris

Dated July 13, 1937

Rec'd 6:15 p. m.

Secretary of State,
Washington.

RUSH.

973, July 13, 5 p. m. (SECTION TWO)

The Chinese Ambassador (*Wellington*) Koo stated to me that in

WOB
10/20/37

the discussion which had followed his inquiry as to the
attitude of the French Government toward invoking Article
Seventeen of the Covenant of the League of Nations it had
been brought out that if Japan should refuse to accept
any intervention by the League there would be little that
could be done. He, Koo, had suggested therefore that
Article Eleven of the Covenant of the League should be
invoked. The French Foreign Office had then suggested
that Article Seven of the Washington Treaty might be more
effective in the circumstances and both Delbos and Leger
had said to him that it would be absolutely essential to
get the United States into the discussion and had pointed
out that the United States was not a member of the League.

I gathered the impression from my conversation with
Leger that the French Government faced by its troubles
in Europe is somewhat loath to take any active part with
regard

0951

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

94-4

LMS 2-No. 973, July 13, 5 p. m., Sec. 2, from Paris.

regard to matters in the Far East. Incidentally, Leger expressed the opinion that there was not the slightest doubt that the Japanese after the butchery of various Chinese armies would be able to take over China as far south as Yellow River and set up another Manchukuo.

The Chinese Ambassador said that he had information which indicated that General Chiang Kai-Shek was bringing up all the best divisions of the Chinese Army. He had also been informed from Nanking that the Japanese in addition to divisions which were being sent from "Manchukuo" had embarked the Sixth Division for China yesterday and would embark the Tenth Division today.

I assume that the Japanese Government presented to our Government and the British Government yesterday the same note which was given to the French Foreign Office last Friday, if not and if the Department should desire, I believe that I can obtain the text.

I should be glad to receive any instructions that the Department may care to give me in the premises.

END OF MESSAGE.

BULLITT

SMS:NPL

0957

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

94-5

TELEGRAM SENT

PREPARING OFFICE
 WI INDICATE WHETHER

Collect

Charge Department
 OR

Charge to
 \$

Department of State

DEPARTMENT OF STATE

TO BE TRANSMITTED
 CONFIDENTIAL CODE
 NONCONFIDENTIAL CODE
 PARTIAL
 PLAIN

Washington,

July 15, 1937.

AMEMBASSY

1937 JUL 15 PM 4 43

PARIS (France). DIVISION OF
 COMMUNICATIONS
 ATTACHMENTS

343

Your 973, July 13, 5 p.m.

FOR YOUR STRICTLY CONFIDENTIAL INFORMATION.

One. The information contained in your telegram under reference is helpful and is appreciated. If you can conveniently obtain a copy of the text of the Japanese note to the French Government please send it by mail.

Two. On July 12 and again on July 13 we urged upon the Chinese and Japanese diplomatic representatives here the importance of preserving peace.

Three. The Department is exchanging information and views with the British Government through its Embassy here and through our Embassy in London. The French Embassy here has also kept in touch with the Department. During the conversations which have taken place, we have stated that we are in favor of a general effort for the preservation of peace; that we ^{have} already made ~~the~~ effort ~~in~~ ^{to} ~~the~~ ^{have} ~~made~~ ^{been} ~~made~~ ^{made}; and that we hoped that other governments would make efforts, each in whatever way seemed most practicable to it. We have

asked the French Embassy to keep us informed of steps taken by the French government.

793.94/8748

FE:MSM:VCI

Enciphered by

Sent by operator M., 19

D. C. R.—No. 50

1-1402 U. S. GOVERNMENT PRINTING OFFICE

This cable was sent in confidential Code.
 It should be carefully paraphrased before
 being communicated to anyone. C-1

793.94/8748

JUL 15 1937 PM

0958

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

95-1

X

TELEGRAM SENT

TO BE TRANSMITTED
✓ CONFIDENTIAL CODE ✓
NONCONFIDENTIAL CODE
PARTAIR
PLAIN

Department of State

Washington.

July 12, 1937.

7 pm

1937 JUL 12 PM 6 30

PREPARING OFFICE
WILL INDICATE WHETHER
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Charge to
this cable was sent in confidential code.
should be carefully paraphrased before
being communicated to anyone. Part C-

AMEMBASSY,

LONDON (England).

291

893.51/6413
Your 461, July 12, 5 p.m.

STRICTLY CONFIDENTIAL.

793.94

One. ~~On July 12~~ ^{this morning} the Japanese Ambassador called by his own request and read to me and later left with me a statement in regard to Chinese-Japanese hostilities near Peiping. During the reading of each paragraph I expressed deep regret at the incident and at the conclusion of the reading I specially emphasized with approval the statements made in regard to the efforts of the Japanese Government to work out a friendly settlement of the incident. I pointed out the desirability of the exercise by Japan of general self-restraint. I stated that this country is greatly interested and concerned in the preservation of peace in every part of the world and I expressed the earnest hope that the opportunity which Japan has to make a material contribution in the direction of restoring world stability and peace would not be lost through the getting under way of serious military operations.

793.94/3749

Two. Shortly before the Japanese Ambassador called on me, the Counselor of the Chinese Embassy called on the Chief

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

95-2

PREPARING OFFICE
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OR

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TELEGRAM SENT

Department of State

TO BE TRANSMITTED
 CONFIDENTIAL CODE
 NONCONFIDENTIAL CODE
 PARTAIR
 PLAIN

- 2 -

Washington,

Chief of the Division of Far Eastern Affairs and handed him a paper summarizing information received by the Chinese Embassy. The Counselor asked what would be Mr. Hornbeck's advice to China. Mr. Hornbeck replied that he was not in position to offer advice but that he felt warranted in expressing the hope that each and both sides would exercise effective restraint.

(Gray) Three. The Department has this afternoon made a release to the press as follows:

QUOTE The Japanese Ambassador and the Counselor of the Chinese Embassy each called at the Department this morning and communicated information in regard to events in North China. In the course of the conversations which ensued both were given expression of the view that an armed conflict between Japan and China would be a great blow to the cause of peace and world progress. UNQUOTE. (End Gray)

Four. Thus, it is evident that both the British and the American Governments have acted, independently but simultaneously, toward discouraging prolongation and extension of the hostilities. We have not repeat not in mind at this moment any further step which we might deem likely, if taken, to serve a useful purpose; but we would welcome continuous and

Enciphered by

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

0961

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

95-3

PREPARING OFFICE
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Charge Department

OR

Charge to

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TELEGRAM SENT

Department of State

TO BE TRANSMITTED
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NONCONFIDENTIAL CODE
PARTIAL
PLAIN

- 3 -

Washington.

frank exchange of information and of views as they may develop.

Five. You may inform the Foreign Office of the above.

Six. Publicity should be confined to text of press release quoted above.

Hull
P. H.

FE:MMH:SKH/EJL

FE

SKH

Enciphered by _____

Sent by operator _____ M., _____, 19____

0961

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

95-4

PREPARING OFFICE
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TO BE TRANSMITTED

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 NONCONFIDENTIAL CODE ☐

PARTIAL
 PLAIN

Collect
 Charge Department
 OR
 Charge to
 \$

Department of State

Washington.

1937 JUL 13 PM July 13, 1937.

AMEMBASSY,

PEIPING (China).

ORIGINAL OF
 COMMUNICATIONS
 IN THE
 U.S.

This cable was sent in confidential Code.
 It should be carefully paraphrased before
 being communicated to anyone. C-2

115 STRICTLY CONFIDENTIAL.

One. On the morning of July 12 the Japanese Ambassador called by his own request and read to me and later left with me a statement in regard to Chinese-Japanese hostilities near Peiping. During the reading of each paragraph I expressed deep regret at the incident and at the conclusion of the reading I specially emphasized with approval the statements made in regard to the efforts of the Japanese Government to work out a friendly settlement of the incident. I pointed out the desirability of the exercise by Japan of general self-restraint. I stated that this country is greatly interested and concerned in the preservation of peace in every part of the world and I expressed the earnest hope that the opportunity which Japan has to make a material contribution in the direction of restoring world stability and peace would not be lost through the getting under way of serious military operations.

Two. Shortly before the Japanese Ambassador called on me, the Counselor of the Chinese Embassy called on the Chief

Enciphered by _____

Sent by operator _____ M., _____, 19____

D. C. R.—No. 50

1-1462 U. S. GOVERNMENT PRINTING OFFICE

793.94/3749

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

PREPARING OFFICE
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TELEGRAM SENT

Department of State

TO BE TRANSMITTED
 CONFIDENTIAL CODE
 NONCONFIDENTIAL CODE
 PARTAIR
 PLAIN

- 2 -

Washington.

of the Division of Far Eastern Affairs and handed him a paper summarizing information received by the Chinese Embassy. The Counselor asked what would be Mr. Hornbeck's advice to China. Mr. Hornbeck replied that he was not in position to offer advice but that he felt warranted in expressing the hope that each and both sides would exercise effective restraint.

(Gray) Three. On the afternoon of July 12, the Department made a release to the press as follows:

QUOTE The Japanese Ambassador and the Counselor of the Chinese Embassy each called at the Department this morning and communicated information in regard to events in North China. In the course of the conversations which ensued both were given expression of the view that an armed conflict between Japan and China would be a great blow to the cause of peace and world progress. UNQUOTE (End Gray)

Four. On the afternoon of July 12, the Department received a strictly confidential telegram from our Embassy at London stating that the British Foreign Minister had asked our Ambassador to inform me in strict confidence that the Foreign Minister would send for the Japanese Ambassador that afternoon to express to the Ambassador concern in regard to

Enciphered by _____

Sent by operator _____ M., _____, 19____

0963

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

PREPARING OFFICE
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TELEGRAM SENT

Department of State

TO BE TRANSMITTED
CONFIDENTIAL CODE
NONCONFIDENTIAL CODE
PARTAIR
PLAIN

- 3 -

Washington,

the situation in North China. The British Foreign Minister also said that he would welcome an expression of our views and any suggestions ~~as to possible action~~. The Department cabled the Ambassador at London in reply informing him of the conversations which had occurred here ~~with the Japanese~~ ^{as stated above}. ~~Ambassador and with the Chinese Counselor of Embassy and stating that we had not repeat not in mind at this moment any further step which we might deem likely, if taken, to serve a useful purpose. The Department authorized our Ambassador to convey this information to the British Foreign Minister.~~ ^{and authorizing the}

Five. The Department has just been informed by the French Embassy here that the French Government has instructed its Ambassadors in China and in Japan to express to the appropriate Chinese and Japanese authorities concern in regard to the situation.

Six. Any publicity should be confined to text of press/release quoted above.

Seven. Inform Nanking.

(Telegraph Section: Please send same telegram to American Embassy, Tokyo, omitting last paragraph.)

FE:MMH:EJL

FE

Enciphered by _____

Sent by operator _____ M., _____, 19 _____

0964

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 SENT

LMS

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

July 13, 1937

2 p. m.

AMEMBASSY

~~PEIPING~~ (~~CHINA~~). *Thyo*

~~112~~ 112

STRICTLY CONFIDENTIAL.

One. On the morning of July 12 the Japanese
Ambassador called by his own request and read to me
and later left with me a statement in regard to Chinese-
Japanese hostilities near Peiping. During the reading
of each paragraph I expressed deep regret at the inci-
dent and at the conclusion of the reading I specially
emphasized with approval the statements made in regard
to the efforts of the Japanese Government to work out
a friendly settlement of the incident. I pointed out
the desirability of the exercise by Japan of general
self-restraint. I stated that this country is greatly
interested and concerned in the preservation of peace
in every part of the world and I expressed the earnest
hope that the opportunity which Japan has to make a
material contribution in the direction of restoring
world stability and peace would not be lost through the
getting under way of serious military operations.

Two.

793.94/3749

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

112 Tokyo
 LMS 2-No. ~~115~~ to Amembassy, ~~Seipung~~.

Two. Shortly before the Japanese Ambassador called on me, the Counselor of the Chinese Embassy called on the Chief of the Division of Far Eastern Affairs and handed him a paper summarizing information received by the Chinese Embassy. The Counselor asked what would be Mr. Hornbeck's advice to China. Mr. Hornbeck replied that he was not in position to offer advice but that he felt warranted in expressing the hope that each and both sides would exercise effective restraint.

(GRAY) Three. On the afternoon of July 12 the Department made a release to the press as follows:

QUOTE The Japanese Ambassador and the Counselor of the Chinese Embassy each called at the Department this morning and communicated information in regard to events in North China. In the course of the conversations which ensued both were given expression of the view that an armed conflict between Japan and China would be a great blow to the cause of peace and world progress. UNQUOTE.
 (END GRAY)

Four. On the afternoon of July 12 the Department received a strictly confidential telegram from our Embassy at London stating that the British Foreign Minister had asked our Ambassador to inform me in strict confidence that the Foreign Minister would send for the Japanese
 Ambassador

0966

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

LMS 3-No. ¹¹² ~~112~~ to Amembassy, ^{Tokyo} ~~Peking~~.

Ambassador that afternoon to express to the Ambassador concern in regard to the situation in North China. The British Foreign Minister also said that he would welcome an expression of our views and any suggestions. The Department cabled the Ambassador at London in reply informing him of the conversations which had occurred here as stated above, and authorizing the Ambassador to convey this information to the British Foreign Minister.

Five. The Department has just been informed by the French Embassy here that the French Government has instructed its Ambassadors in China and in Japan to express to the appropriate Chinese and Japanese authorities concern in regard to the situation.

Six. Any publicity should be confined to text of press release quoted above.

~~Seven. Inform Nanking.~~

HULL
(SKH)

FE:MMH:EJL

Same to American Embassy, Tokyo, as No. 112, omitting last paragraph.

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

DOCUMENT FILE

NOTE

SEE 893.51/6413 FOR Tel. #461-5pm.

FROM Great Britain (Bingham) DATED July 12, 1937
 NAME 1-1127 ***
 /TP/

REGARDING: Situation now developing in North China: Foreign Secretary sent for the Ambassador, and Cadogan being present, stated they were greatly disturbed about the situation in North China. He stated he would welcome an expression of American views and any suggestions as to alleviating action which the "United States and Great Britain might take together."

fpg

793.94/ 8749

8749

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

96-1

TELEGRAM RECEIVED

MA

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

FROM

London

Dated July 13, 1937

Rec'd 2:30 p. m.

Secretary of State

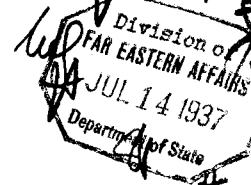
Washington

465, July 13, 6 p. m.

Strictly Confidential.

I saw Cadogan this afternoon and conveyed to him
the information contained in your ²⁹¹~~200~~ of July 12, 7 p. m.
He expressed his appreciation for so prompt a response to the
Foreign Secretary's inquiry of yesterday and said that he
regretted to say he had no new information. He told me
that Eden saw the Japanese and Chinese Ambassadors yesterday.
Both gave the Foreign Secretary their versions of what has
taken place, which Cadogan surmises is similar to the
accounts given you by the Japanese and Chinese representatives
in Washington. The Japanese Ambassador, as was indicated in
my 461, July 12, 5 p. m., was warned of the serious effect
which events in North China might have on any anglo-Japanese
discussions.

Cadogan also talked with the Chinese Ambassador who
suggested that his Government would welcome joint "mediation"
by the United States and Great Britain. Cadogan said that
he had made it quite clear to the Chinese Ambassador there
could be no question of mediation in any case unless both
parties desired it and that there was no indication that such
was



793.94/8750

F/FG

1953
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

96-2

MA -2- 465, July 13, 6 p. m., from London

was the wish of the Japanese.

Cadogan said that he would be glad to continue
to cooperate in the frank exchange of views and
information.

BINGHAM

CSB

97-1

TELEGRAM RECEIVED

EDA

GRAY AND SPECIAL GRAY

NANKING VIA N.R.

FROM

Dated July 13, 1937

Received 9:16 p.m.

Secretary of State

Washington

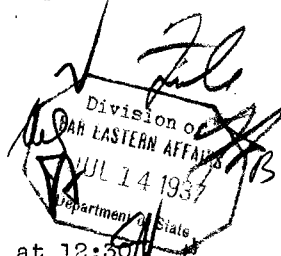
COPIES SENT TO
U.N.I. AND M.L.D.

274, July 13, 2 p.m.

Our ⁸⁷³¹271, July 13, 8 a.m.

One. An officer of this Embassy received at 12:50

p.m., today a letter from a friend in the Japanese Embassy which states that, according to Major Samali, Military Adviser to the 29th Army who was on the ground, the following are the details of the firing heard in Peiping the night of July 11 and morning of July 12: (1) In the afternoon of July 11 about 200 Chinese troops at Siyuan advanced to Papaoshan, a staff officer of the 29th Army carrying a white flag was sent to order their withdrawal but was fired upon; (2) at 10:20 p.m., the vanguard reached Lung Wang Miao, other Chinese troops on the west side of the Yungting River mistook them for Japanese and both Chinese contingents began shooting at each other; (3) at 1:45 a.m., July 12 part of the vanguard at Tung Huaichuan started firing due to a false alarm, the firing spread to those at Weimenkou and Papaoshan, and trench mortars were used; (4) about 3:00 a.m., July 12 a situation similar to item 3 recurred.



793.94/3751

FILED F/FG
JUL 20 1937

97-2

EDA - 2 - #273, July 13, 2 p.m. from Nanking

3 recurred.

Two. The note concludes: "The Chinese Papers this morning seem to agree in reporting that all is now quiet on the front. I notice, however, that the Chinese are trying, for unknown reasons, to "(?) up" the agreement signed by the representatives of the 29th Army and those of our Tientsin Army at 8:00 p.m., on the 11th, the Central News Agency vaguely referring to it as "verbal" agreement.

As to the movements of our reinforcements, I may add strictly confidentially that, although orders seem to have been issued to the Kwantung Army, the Chosen Army as well as to certain divisions in Japan proper to stand by for any emergency, none of them excepting part of the Kwantung Army, has yet been mobilized (?) all depends, in my personal opinion, upon subsequent developments of the situation, and whether the Chinese Central troops will take the risk of advancing into the Hopei Province in contravention of the Ume Tsu Ho Ying Chin agreement of 1935 or not, may constitute one of the most important factors. Incidentally General Ho Ying Chin is declining to see Mr. Hidika because 'the general has no time'".

Three. Sent to the Department and Peiping. By mail to Shanghai, Tokyo.

PECK

SMS:NPL

097

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

FCE

TELEGRAM RECEIVED

JR

GRAY

1-1836

FROM

Shanghai via N R

Dated July 14, 1937

Rec'd 9:45 a.m.

Secretary of State,
Washington.

COPIES SENT TO
JON. L. AND M. L. D.
JMC

Division
FAR EASTERN
JUL 14 1937
Department of State

360. July 14, 5 p.m.

Shanghai quiet. Tone of Chinese and Japanese press becoming somewhat more bellicose. The local vernacular papers are more openly advocating resistance while the Japanese press states that a decisive blow must be struck.

A press representative states that all mention of Generalissimo Chiang is deleted by the local censor from outgoing telegrams which would seem to indicate a desire on the part of the Chinese to keep his movements and activities secret. He is believed however to be at Kuling.

Sent to the Department, by mail to Nanking.

GAUSS

HPD

793.94/8752

F/HG

JUL 14 1937

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

98-1

TELEGRAM RECEIVED

92
1-1236

MJD

FROM

GRAY

Peiping via N. R.

Dated July 14, 1937.

Rec'd. 5:45 a. m.

Secretary of State,
Washington.

COPIES SENT TO
U.N.I. AND M.I.D.

233, July 14, 3 p. m.

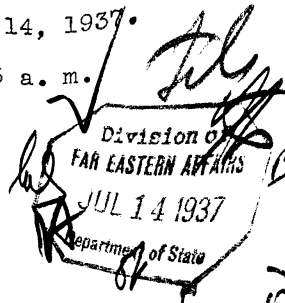
Following telegram has been received from Tientsin:

"July 14, 11 a. m. About two thousand Japanese troops with miscellaneous equipment including twelve field pieces and ten trench mortars left here by the Peiping highway at three o'clock this morning."

Repeated to Nanking, Shanghai, Tokyo.

JOHNSON

CSB



793.94/3753

FILED
JUL 19 1937

F/FG

197

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

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

Peiping
FROM Dated July 14, 1937
Rec'd 6:16 a.m.

Secretary of State,
Washington.

232. July 14, 1 p.m. /8747

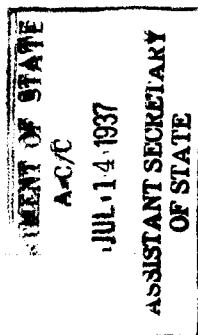
Embassy's 230, July 13, 8 p.m.

The name Chon Young Yeh should be changed to Chang
Yun Jung, a military officer connected with the 29th Army
who is also Chinese manager of the Hui Tung Aviation
Corporation.

Repeated to Nanking, Shanghai, Tokyo.

JOHNSON

KLP:GW



793.94/8754

FILED
JUL 22 1937

F/EG

1975

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

JR

1-1326

FROM

GRAY

Tsingtao via N R

Dated July 13, 1937

Rec'd 11:50 p.m.

793.94

Secretary of State,

Washington.

July 13, 4 p.m.

COPIES SENT TO
O.N.I. AND M.I.D.

Division
OF FAR EASTERN AFFAIRS
JUL 14 1937
Department of State

A quiet situation prevails in Tsingtao but the Chinese authorities are concerned over rumors of proposed despatch of Japanese troops to Tsingtao.

Officials of the local Japanese Residents Association are meeting this afternoon to discuss situation with reference to defense and protection of life and property. It is believed Japanese troops will be landed at Tsingtao for despatch to Tsinanfu to protect Japanese there should General Han Fu Chu move troops toward Tientsin.

793.94/8755

SOKOBIN

DEPARTMENT OF STATE
A-C/C
JUL 14 1937
ASSISTANT SECRETARY
OF STATE

FILED
JUL 14 1937

F/FG

097
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

MJD

GRAY

Tokyo

FROM

Dated July 14, 1937.

Rec'd. 6:59 a. m.

793.94
not
793.76
Secretary of State,
Washington.

COPIES SENT TO
U.N. AND I.L.D.



197, July 14, 10 a. m.

The usual battle of war propaganda has begun and is being intensively organized. It is announced that the Central Japanese Broadcasting Station will use its fifty kilocycle short wave length equipment just completed, which boasts of being the most powerful in the Far East, "in order to offset the Nanking absurdities." The announced foreign schedule is, 5 o'clock to 6 o'clock A. M. transmission to Europe; 6:30 to 7:30 A. M. New York, Canada and South America; 2:30 to 3:30 P. M. Western Canada and Hawaii; 10 o'clock to 11 o'clock P. M. South Seas, Australia and Eastern America. These daily broadcasts are to be devoted entirely to news instead of entertainments.

It is announced here that China will use the twenty kilocycle wireless station at Nanking to broadcast "fabricated news throughout the world".

Repeated to Peiping.

GREW

KLP
GW

793.94/3756

F/FG

FILED
JUL 13 1937

0977
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

99-1

TELEGRAM RECEIVED

MJD

1-1826

FROM

Nanking

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

Dated July 14, 1937.

Rec'd. 6:37 a. m.

Secretary of State,
Washington.

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

Division of
FAR EASTERN AFFAIRS

JUL 14 1937

Department of State

278, July 14, 10 a. m. (SECTION ONE)

Peiping's 228, July 13, 6 p. m.

One. The Chinese Minister of Foreign Affairs returned to Nanking July 9th. I refrained from calling on him lest my call be misinterpreted by the press which minutely records visits of all foreign officials to the Foreign Office and their supposed purposes. However, almost hourly telephone and personal contact has been maintained by Atcheson with Li, Director of Intelligence Publicity, who appears to be playing an influential role.

Two. Fearing that my continued absence might also be misinterpreted I called on the Minister for Foreign Affairs July 13, 6 p. m. Brief summary of his remarks follows:

Three. The Minister confirmed that six Chinese divisions are proceeding northward on railway from Hankow and added that more were going. (We obtained from reliable military source information that the first division is proceeding north from Hsuehchow by rail.)

Four. The Minister said that the fighting near Peiping had been provoked by Japanese demand to occupy Wanping

July

793.94/8757

F/FG

0978

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

99-2

MJD --2-- No. 278, July 14, 10 a. m. (Section One)
from Nanking

July 7, noon, on trivial pretext of a missing soldier, that the Chinese garrison rightfully refused permission and that Japanese premeditation was shown by the preparedness of the Japanese who almost immediately opened hostilities. He asked my opinion regarding Japanese objective and I evaded by saying I could only draw inferences from Japanese activities in 31, 33 and 35. I inquired his opinion regarding newspaper conjectures that the Japanese intend to consolidate their military and political position in Hopei and Chahar. He said this explanation seemed to be correct and added that Shantung was possibly included in the area but that the Chinese had no definite information about this as yet. He referred to published statement by the Japanese Government that mobilization had been ordered in Manchuria, Korea and Japan and stated that three divisions rather than two were on their way to China.

(END OF SECTION ONE.)

PECK

KLP
GW

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

99-3

TELEGRAM RECEIVED

MJP

1-1226

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

FROM

Nanking

Dated July 14, 1937

Rec'd 9:10 a.m.

Secretary of State,
Washington.

278, July 14, 10 a.m.

(SECTION TWO)

Five. The Minister said with great intenseness that war is "imminent" and that instructions had been telegraphed to Chinese diplomatic representatives in nations "specially interested in the Far East" to present the facts to the respective governments. He inquired concerning the plans of the American Ambassador and whether he intended to come to Nanking. I replied that I had been informed of the statement made by Li to Acheson that afternoon (reported in my July 13, 3 p.m.) and had telegraphed it immediately to the Ambassador. The Minister said he had sent a similar message to the British Ambassador who is at Peitaiho. I asked what other diplomats had been approached and he replied that only the British and American Ambassadors had been asked as a beginning because if the request were widened he would have to invite some whose presence might be "inconvenient" and

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

99-4

MJP -2- No. 278, July 14, 10 a.m. from Nanking.

and he named the Italian Ambassador. I said I could not predict the reaction of the American Ambassador but I felt that both he and the British Ambassador might regard their presence in North China as desirable and their return to Nanking as open to unwarrantable inferences. Alluding to earlier years I remarked that in the North the Ambassadors were at least "neutral observers". The Minister admitted that the Ambassadors might hold such opinions.

Six. The Minister said that Japan is shrewd at selecting opportune moments for renewing activity in China. He supposed that Japan feels that the United States and Russia are preoccupied with domestic issues at present and that Europe is tied up with the Spanish problem.

Seven. From what precedes and other indications it would appear that the Chinese assume that political groupings elsewhere hold good in the Far East, that is, that the United States and Great Britain have democratic systems and historical reasons support China; that Italy and Germany have sympathy with Japan; and that Soviet hostility to Japan requires no proof but it is believed that Russia is resolved to avoid war for the time being.

Eight.

098

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

99-5

MJP -3- No. 278, July 14, 10 a. m. from Nanking.

Eight. The Minister said that leading officials of the Executive Yuan had just returned to Nanking by plane and that (*) other Government departments would return shortly.

Nine. Sent to the Department, Peiping, Tokyo
(END OF MESSAGE)

PECK

KLP

GW

(*) Apparent omission

0982

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

99-6

(CONFIDENTIAL)

STRICTLY CONFIDENTIAL

STRICTLY CONFIDENTIAL

P A R A P H R A S E

A telegram (No. 276) of July 14, 1937, from the Counselor of Embassy at Nanking, reads substantially as follows:

On July 9, Dr. Wang Chung-huei returned to Nanking but I avoided an interview with him because I felt that perhaps my call might be misunderstood by the newspaper representatives who are carefully noting and surmising in regard to the purpose of all visits by foreign officials to the Foreign Office. However, a member of the Embassy staff has maintained almost hourly personnel and telephonic contact with Mr. Li, Director of Intelligence Publicity, who seems to be exercising important functions.

Lest my protracted absence also be misconstrued I called on the Foreign Minister at six o'clock in the afternoon of July 13.

He assured me that six divisions of Chinese troops are advancing northward along the railway from Wuhan and that additional divisions would follow them. (It was confirmed in a reliable military quarter that the first division is moving northward by rail from Hsuehchow.)

He said that the Japanese demand to occupy Wanping at noon on July 7 was based on the trifling pretext of a missing soldier; that the demand provoked the fighting which

broke

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-

broke out near Peiping; that the Chinese garrison was quite right in rejecting this demand; and that the almost immediate opening of hostilities by the Japanese was evidence that they had previously planned and prepared for hostilities. I evaded the Minister's request for my opinion regarding the Japanese objective by saying that Japanese activities in 1931, 1933, and 1935, were the only grounds upon which I could base an opinion. When I asked the Minister for his opinion in regard to press conjectures that the Japanese intended to strengthen their political and military position in Chahar and Hopei, he expressed the belief that these conjectures were correct and added that although the Chinese had no definite information as yet it seemed possible that the Japanese would include the Province of Shantung in the area which they desire. Referring to statements published by the Japanese Government that mobilization had been ordered in Japan, Korea, and Manchuria, the Minister stated that the number of Japanese divisions on their way to China was not two but three.

The Minister stated with all seriousness that war is "imminent" and that Chinese diplomats in nations "specially interested in the Far East" had been instructed by telegraph to acquaint the respective governments with the facts. He inquired whether the American Ambassador had planned to return to Nanking. I replied that immediately, on the afternoon

of

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

-3-

of July 13, I had informed the Ambassador by telegraph of the request for his return which was made by Director Li to a member of the Embassy staff. When I asked him what other diplomats had been requested to return to Nanking, the Minister said that he had sent a similar message to the British Ambassador at Peitaiho and that only the American and British Ambassadors had been approached at this time because if the request were extended to others he would have to invite some - mentioning the Italian Ambassador - whose presence might be "inconvenient". I said I could not predict how the American Ambassador would react to the request but that I felt that both he and the British Ambassador might regard their presence in north China as desirable and that their return to Nanking would give rise to unwarrantable inferences. I alluded to previous years during which the Ambassadors in Peiping had at least been "neutral observers" and the Minister admitted the possibility that the Ambassadors might view the matter as I had expressed it.

The Minister supposed that Japan, being shrewd at taking advantages of opportunities for renewed activity in China, must feel that at present European countries are preoccupied with the trouble in Spain and that Russia and the United States are engrossed in domestic issues.

It appears from the foregoing and from other indications that the Chinese believe that political groupings which hold
 good

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

-4-

good elsewhere extend to the Far East; that Italy and Germany favor Japan; that Soviet Russia, although unquestionably hostile towards Japan, seeks to avoid war at this time; and that the United States and Great Britain with their democratic form of Government have historical reasons for supporting China.

I was also informed by the Minister that leaders of the Executive Yuan had just returned to Nanking by air and that they would be followed shortly by members of other Government departments.

425
FE:HES:VCI

MICROCOPY

976

ROLL

35

END

