

**MICROCOPY**

**976**

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**59**

**NATIONAL ARCHIVES MICROFILM PUBLICATIONS**

Microfilm Publication M976

RECORDS OF THE DEPARTMENT OF STATE

RELATING TO POLITICAL RELATIONS

BETWEEN CHINA AND JAPAN, 1930-1944

Roll 59

1930-39

793.94/14501-14710  
Nov. 1938-Feb. 1939



**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.

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

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

Tokyo

Dated December 14, 1938

Rec'd 3:25 a.m., 15th.

Secretary of State, in confidence  
Washington.

783, December 14, 5 p.m.

(delayed in transmission) (GRAY) Our 757, November

30, 3 p.m., last sentence.

One. Absence of recent telegrams from China  
and the complete silence maintained by the Japanese  
press on this subject make it difficult for us to appraise  
recent events affecting the Japanese plans to set up a  
new central Chinese Government. (END GRAY) HOWEVER  
yesterday/<sup>the</sup>Vice Minister for Foreign Affairs informed us  
confidentially and off the record that the Foreign Office  
considers Wu Pei Fu's refusal to head the proposed new  
government to be a blessing in disguise as the Foreign  
Office favors a federal form of government for China and  
not (repeat not) one which would have assimilated the  
existing regimes at Peiping and Nanking. Sawada said  
that all negotiations with Wu have ceased, that Wu is  
not popular in Central and South China and that there is  
available no Chinese who would receive as chief of  
Government general support in all Japanese occupied

parts

793.94/14501

F/FG

000

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

5307

-2- #783, December 14, 5 p.m., from Tokyo.

parts of China. He further said that the Foreign Office envisages the establishment of local governments additional to those already set up and the linking together of these governments by a "central committee" the members of which would elect a chairman from among themselves.

(GRAY) Two. In view of the foregoing the decision to postpone indefinitely the proposed announcement (which was to have been made by the Prime Minister on December 11) with regard to the policy decided upon by the conference held on November 30 in the presence of the Emperor may now be put down with a reasonable degree of certainty to drastic changes in the Japanese plans occasioned by Wu Pei Fu's decision. (END GRAY)

GREW

RR

0002

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

P A R A P H R A S E

A telegram (No. 783) of December 14, 1938, from the American Ambassador at Tokyo reads substantially as follows:

Reference is made to Yoshizawa's statement in regard to a public announcement of new Japanese policy mentioned in the Embassy's telegram No. 757 of November 30. The absence of recent telegrams from China and the complete silence maintained by the Japanese press on this subject make it difficult for the Embassy to appraise recent events affecting the Japanese plans to set up a new central government. Nevertheless on December 13 the Embassy was informed in confidence and off the record by Sawada (Vice Minister for Foreign Affairs) that the Foreign Office has in mind the institution in China of local governments, in addition to the governments set up already, and the joining together of these governments by a central committee whose members would select from among themselves a chairman. Sawada said also that all negotiations with Wu Pei-fu, who is not popular in south and central China, have stopped and that no Chinese is available for the position of chief of government who would be supported generally in that position in all parts of China under Japanese occupation. According to Sawada, Wu's refusal to head the proposed

new

793.94/14531

0003

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-

new government is regarded by the Japanese Foreign Office as a blessing in disguise for the reason that the Foreign Office prefers a federal form of government for China rather than a government which would have absorbed the present Nanking and Peiping regimes.

In view of the foregoing the decision to postpone indefinitely the proposed announcement (which was to have been made by the Prime Minister on December 11) with regard to the policy decided upon by the conference held on November 30 in the presence of the Emperor may now be put down with a reasonable degree of certainty to drastic changes in the Japanese plans occasioned by Wu Fei-fu's decision.

793.94/14501

egc.  
FE:EGC:JPS  
12-16-38

H.P.  
JFE  
new



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 123 J 634/518 FOR Tel. #599 9am  
FROM China (Chungking) (Peck) DATED Dec. 14, 1938  
TO \_\_\_\_\_ NAME \_\_\_\_\_ 1-1127 \*\*\*

REGARDING: Newspaper comment from CENTRAL DAILY NEWS regarding the  
Far Eastern situation and intent of Japan, in connection  
with possible action by US after consultation with Ambassador  
Johnson.

emc  
✓

793.04 / 14502

14502

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

*copy in paraphrase  
sent to Treasury  
new* 5308

### TELEGRAM RECEIVED

JR

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

Tokyo

Dated December 15, 1938

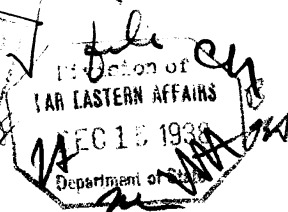
Rec'd 9:30 a.m.

Secretary of State,  
Washington.

786, December 15, 7 p.m.

One. During the last few days the Japanese papers  
have given much space to despatches from London and  
Washington to the effect that economic reprisals by the  
United States and Great Britain against Japan are being  
given active consideration and to feature articles  
on this subject apparently as a result of the Foreign  
Office or some other official source as they contain  
points not mentioned in published press despatches.  
References are being made to the return of Ambassadors  
Johnson and Kennedy, increased British export guarantees  
to cover war supplies to China, reported approaching  
American credit loan to China, et cetera, as indications  
of the trend of official American and British thought.

Two. The ASAHI which has shown itself to be  
unusually well informed states that the Department is  
now studying the possibility of restricting or  
excluding imports from Japan on the basis of section  
338 of the tariff act, that evidence is accumulating  
of



793.94/14503

DEC 28 1938  
F/FG

*793.94  
793.94  
711.942  
11.9431  
693.941  
693.941*

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

5309

-2- #786, DECEMBER 15, 7 p.m., from Tokyo.

of Anglo-American discussions looking towards concerting reprisal measures, and that the Japanese Ambassadors at Washington and London have been instructed to ascertain the intentions of the American and British Governments. It further states that the Minister for Foreign Affairs will shortly resume his conversations with Craigie and me and that after further expounding the Japanese thesis he will urge "reconsideration of plans for Anglo-American economic sanctions against Japan".

Three. Although these articles stress that Japan will not completely close the door in China their tone is not (repeat not) compromising.

Repeated to Shanghai for Chungking and Peiping.

GREW

EDA:CSB

0007

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

P A R A P H R A S E

A telegram (No. 786) of December 15, 1938, from the American Ambassador at Tokyo reads substantially as follows:

Washington and London despatches to the effect that the United States and Great Britain are actively considering the matter of economic reprisals against Japan and feature articles on this subject have, during the past few days, received much attention in Japanese newspapers. As the newspaper articles contain points which have not appeared in the published press despatches it seems that the interest of the Japanese papers in the matter has been inspired by the Japanese Foreign Office or some other official source. An article in the Asahi, which is exceptionally well informed, states that before long the Japanese Minister for Foreign Affairs will again take up his conversations with the American and British Ambassadors and that after explaining the Japanese viewpoint he will urge that plans for economic sanctions by Great Britain and the United States against Japan be reconsidered. The Asahi states also that there is growing evidence of discussion between Great Britain and the United States looking toward concerting measures of reprisal, that at the present time the Department of State has under study the possibility  
of

793.94/14503

0008

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-

of excluding imports from Japan or restricting them, using Section 338 of the Tariff Act as a basis for this action, and that instructions have been sent to the Japanese Ambassadors in Washington and London to find out the intentions of the governments to which they are accredited. As signs of the trend of British and American thought in official circles, the Japanese newspapers are referring to such matters as a reported approaching American credit loan to China, the return to the United States of Ambassadors Kennedy and Johnson, and increased British export guarantees to cover the purchase of war supplies for China. The tone of the articles in the Japanese press is not compromising although they emphasize that the door in China will not be completely closed by Japan.

793.94/14503.

890.  
FE:EGC:JPS  
12-16-38

8-1-75  
FE  
Rau

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

5310

### TELEGRAM RECEIVED

JR

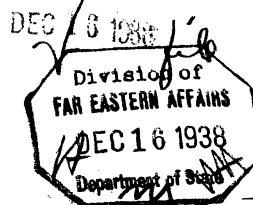
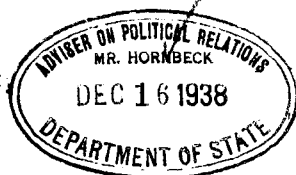
This telegram must be  
closely paraphrased be-  
fore being communicated  
to anyone. (br)

Tokyo

Dated December 16, 1938

Rec'd 6:53 a.m.

Secretary of State  
Washington.



787, December 16, 3 p.m.

Our 786, December 15, 7 p.m. / 14503

One. The press reports that the Minister for  
Foreign Affairs is to have a further conversation with  
Craigie and me on or about Tuesday, December 20.

Two. Does the Department desire, in the likely  
event of Arita initiating further discussion  
of the Japanese position, that I say anything more  
than to ~~repeat~~ the statements which I made to him at  
our last interview (see our 773, December 8, 7 p.m.)?  
<sup>693.001 / 422</sup>

Three. Craigie informs me that he is cabling his  
Government to ask whether he is to receive further  
instructions and to say that in the absence of  
instructions he will state to Arita that the British  
Government cannot assent to any abridgment of the  
principle of equality of opportunity or to any  
unilateral modification of the Nine Power Treaty.

GREW

RR

F/HG

793.94/14504

793.94  
note  
500 A 12

Tel. to Tokyo

0010

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

5311

PREPARING OFFICE  
WILL INDICATE WHETHER

Collect

Charge Department

OR

Charge to

\$

TELEGRAM SENT

Department of State  
DEPARTMENT OF STATE

TO BE TRANSMITTED  
▼ CONFIDENTIAL CODE ▼  
NONCONFIDENTIAL CODE  
PARTIAL  
PLAIN

Washington,

"BR"

December 16, 1938

8 PM

This cable was sent in a Confidential Code.  
It should be carefully paraphrased before  
being communicated to anyone. *Bm*

1938 DEC 16 PM 5 56

DIV OF  
COMMUNICATIONS  
AND RECORDS

AMEMBASSY,

TOKYO (JAPAN)

422

Your 787, December 16, 3 p.m., paragraph two.

In the contingency mentioned, the Department desires that you continue to maintain the position of this Government as expressed to the Japanese Government both in writing and orally.

*H. H. H.*  
Acting.

793.94/14504

FE:MMH:DT

FE

PA/H

U

DEC 16 1938 PM

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

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

D. O. R.—No. 50

1-1482 U. S. GOVERNMENT PRINTING OFFICE

793.94/14504

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

*Copy in paraphrase  
Sent to Treasury  
new*

# TELEGRAM RECEIVED

FROM

EG  
This message must be  
closely paraphrased be-  
fore being communicated  
to anyone. (Br)

Tsingtao via N. R.

Dated December 16, 1938

Rec'd 7 a.m.

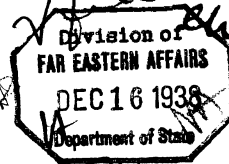
793.94  
Secretary of State,  
Washington.

32, December 16, 10 a.m.

There has been an influx again of Japanese  
troops. From a reliable source the Consulate  
learns that a division is expected shortly.

SOKOBIN

WWC:PEG



793.94/14505

DEC 22 1938

FILED

F/FG



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

Confidential

P A R A P H R A S E

A telegram (No. 32) of December 16, 1938, from the  
American Consul at Tsingtao reads substantially as follows:

Japanese soldiers have again been arriving and a  
division of Japanese troops is expected soon, according  
to reliable information received by the Consulate.

793.94/14505

*e.g.c.*  
FE:EC:JPS  
12-16-38

*ME*  
FE  
*ru*

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

*Shown in strict  
confidence to Major  
Gotts of MID.*

5312

**TELEGRAM RECEIVED**

CORRECTED COPY

EG  
This message must be  
closely paraphrased be-  
fore being communicated  
to anyone. (Br)

**FROM**

Peiping via N. R.

Dated December 15, 1938.

Rec'd 7:43 p.m.

Secretary of State,  
Washington.

722, December 15, 3 p.m.

One. The Counselor of the Japanese Embassy

volunteered last night the following statement to  
an officer of this Embassy:

(a) He hoped that the current conversations be-  
tween the Japanese Foreign Minister and our Ambassador  
in Tokyo would soon reach a solution; he felt that a  
solution would be possible if the American Government  
did not "hold too closely to the Stimson policy".

(b) The Japanese military considered that policy  
intolerable and progress could be achieved only by  
"backing away from it somewhat".

(c) The Japanese Government had much appreciated  
American attitude in North China which was an area to  
which the Japanese attach great importance.

(d) When we were fairminded and patient in regard  
to happenings in North China the news spread very  
quickly



793.94/14506

DEC 23 1938

FILED

F/FG

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

5313

-2- #722, December 15, 3 p.m. from Peiping via N. R.,

quickly and had a noticeable effect upon the Japanese military and others in Japan;

(e) Conversely a stiffer attitude would have an unfavorable effect;

(f) For example while he found it possible "to mitigate" the difficulties caused by incidents involving Japanese military and Americans he had failed to accomplish anything in respect to incidents involving British subjects because he had to inform the military that British diplomatic officers adopted an unbending attitude toward Anglo-Japanese problems.

Two. The Counselor also offered a long dissertation on economic and trade problems the burden of which was that trade control was absolutely necessary for China, but was not necessarily discriminatory.

Three. In a separate conversation the Japanese first secretary stated to the American Secretary that (one) he was heartily sick of his work here; (two) he was no longer a diplomatic officer but an attache of the Japanese military.

Three. His Embassy had to consult the military in regard to every matter that arose between his Embassy and the American and British Embassies.

Four.

5314

-3- #722, December 15, 3 p.m. from Peiping via N. R.

Four. In addition various Japanese military officers concocted "ridiculous economic schemes" with which they burdened the Japanese Embassy.

Five. For example, he himself was now wasting a great deal of time investigating at the insistence of the Japanese military, the means and cost of softening North China's notoriously hard water.

Six. Foolishness of this sort found a ~~cor~~ollary in the political field.

Seven. For example Japanese plans for a new Central Government for China, including the plan to make Wu Pei Fu President, were now topsy turvy and hopelessly confused.

Four. Repeated to Chungking. Code text being sent to Tokyo.

LOCKHART

RR:DDM

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

**TELEGRAM RECEIVED**

JR

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

FROM

Peiping via N. R.

Dated December 15, 1938

Rec'd 7:43 p.m.

Secretary of State,  
Washington.

722, DECEMBER 15, 3 p.m.

One. The Councilor of the Japanese Embassy  
volunteered last night the following statement to an  
officer of this Embassy:

(a) He hoped that the current conversations between  
the Japanese Foreign Minister and our Ambassador in Tokyo  
would soon reach a solution; he felt that a solution  
would be possible if the American Government did not  
"hold too closely to the Stimson policy".

(b) The Japanese military considered that policy  
intolerable and progress could be achieved only by  
"backing away from it somewhat".

(c) The Japanese Government had much appreciated  
American attitude in North China which was an area to  
which the Japanese (?);

(d) When we were fairminded and patient in regard  
to happenings in North China the news spread very  
quickly and had a noticeable effect upon the Japanese  
military (?) in Japan;

(e) Conversely



793.94/14506

DEC 22 1938

FILED

F/FG

793.94  
note  
701-9493

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- #722, December 15, 3 p.m., from Peiping via N. R.

(e) Conversely a stiffer attitude would have an unfavorable effect;

(f) For example while he found it possible "to mitigate" the difficulties caused by incidents involving Japanese military and Americans he had failed to accomplish anything in **respect** to incidents involving British Subjects because he had to inform the military that British diplomatic officers adopted an unbending attitude toward Anglo-Japanese problems.

Two. The Counselor also offered a long dissertation on economic and trade problems the burden of which was (?) reaching an agreement (?) control was absolutely necessary for China, but was not necessarily discriminatory.

701.9493  
Three. In a separate conversation the Japanese first secretary stated to the American Secretary that (one) he was heartily sick of his work here; (two) he was no longer a diplomatic officer but an attache of the Japanese military.

Three. His Embassy had to consult the military in regard to every matter that arose between his Embassy and the American and British Embassies.

Four. In addition various Japanese military officers concocted "ridiculous economic schemes" with which they burdened the Japanese Embassy.

Five. For

0018

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- #722, December 15, 3 p.m., from Peiping via N. R.

(?)

Five. For example/was now wasting a great deal of time investigating, at the insistence of the Japanese military, the means and cost of softening North China's notoriously hard water.

Six. Foolishness of this sort found a corollary in the political field.

Seven. For example Japanese plans for a new Central Government for China, including the plan to make Wu Pei Fu President, were now topsy turvy and hopelessly confused.

Four. Repeated to Chungking. Code text being sent to Tokyo.

LOCKHART

RR:DDM

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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

December 23, 1938.

~~JKP~~  
~~JCV~~

Tsinan's despatch no. 1 of November 22 repeats telegraphic information to the effect that Japan plans to extend her now very limited control of Shantung only gradually and without use of large military force (Tsinan's telegram no. 4, November 20, attached). It also states that Shih Yu-san reportedly moved his 30,000 men from Taian to Ichowfu (southern Shantung); that Shen Hung-lieh's force of 2,000 was 28 miles north of the western section of the Tsingtao-Tsinan Railway; and that Germans have been unpopular with the guerrillas, one having been seized by them while transporting cotton from the interior.

793.94/14507

*[Signature]*  
FE:Chase:HES



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. 1

G.  
Hawthorn  
AMERICAN CONSULATE,

Tainan, China, November 22, 1938.

793.94

RECEIVED  
DEPARTMENT OF STATE

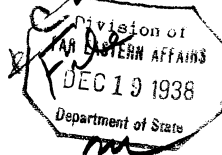
1938 DEC 17 PM 00

DEPARTMENT OF STATE, WASHINGTON.  
A-M/C

DEC 20 1938

ASSISTANT SECRETARY  
OF STATE

Honorable  
Nelson Trusler Johnson,  
American Ambassador,  
Peiping, China.



Sir:

I have the honor to report that the consulate has been reliably informed<sup>1</sup> that the Japanese do not hope for the speedy pacification of Shantung, but estimate that it will require at least two years to extend the power of the Peiping regime to include the whole province. To date, the Provisional Government has appointed magistrates to 30 of the 107 haien cities (county seats) in Shantung, but so far, in the absence of actual Japanese control, it has been impossible for 14 of these magistrates to proceed to their posts and take up their duties. Of the 36 haien cities to which the influence of the North China Government has actually been extended, 26 are on or in the immediate vicinity of the Kiaochow-Tainan and Tientsin-Pukow Railways.

Thus it will be seen that while Tainan was occupied by Japanese forces on December 27, 1937, Tsingtao on January

1. See consulate's telegram no. 4, of November 20, 9 a. m.

793.94/14507

F/FG 14507

JAN 5 1939

RECEIVED

- 2 -

10, 1939, and Chefoo soon afterwards, the Japanese have made very little progress beyond the railway zones. While it seems to have been the opinion of most observers in Shantung that when sufficient troops could be spared from more important activities, the Japanese would engage in large-scale "mopping up" operations in this province, such, according to the consulate's informant, is not the present intention of the Japanese military authorities. They plan merely to hold the railways, mines and important market towns and expect to be able to collect the major portion of all taxes, which they estimate will be flowing into their coffers at the rate of 30 million dollars annually by next autumn. By setting a good example to the populace through the maintenance of peace and order and by levying equitable taxes, they hope gradually to extend the authority of the new North China Government. The use of force will be resorted to only when the above method fails of the desired results, and the necessity for the use of large military forces is not anticipated. The consulate's informant admits, however, that a large percentage of the provincial revenue will be required for military expenses for some time to come.

Shih Yu-san (石友三) who, with a force of about 30,000 men, has until recently been in the region of Taian,<sup>2</sup> is reported by the same source to have moved to Ichosfu (沂州府), in southern Shantung, while Chen Hung-lich (沈鴻烈), former Mayor of Tsingtao, with some 2,000 armed followers, is said to be at Pohsing, 23 miles north of Chowtaun. It is possible that it was the latter's men who were responsible for damaging

---

<sup>2</sup> See paragraph 1 of consulate's telegram no. 3, of November 18, 12 noon. the

102

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 railway just this side of Chortsun on November 13th.

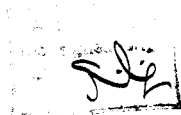
While the Germans may be the most favored westerners in this district so far as the Japanese are concerned, they are no longer popular with the guerrillas in this region. A local German resident by the name of Schaeffer was on November 10th detained by Chinese cavalrymen near Shangho (商河) and taken to Wutingfu (武定府), where he is still being held. Mr. Schaeffer was engaged in the transportation of cotton from the interior to Tientsin by motor trucks on which were flown the German flag. It is not felt here that anything serious will occur to Mr. Schaeffer beyond having his two trucks and their cargo confiscated.

respectfully yours,

Carl C. Hawthorne,  
American Vice Consul.

800  
OGH/KCC

Original to Embassy, Peiping.  
Five copies to Department.  
Copy to Embassy, Chungking.  
Copy to Consulate, Tsingtao.  
Copy to Consulate, Chefoo.



102

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 JAN 5 - 1939

DIVISION OF FAR EASTERN AFFAIRS  
December 30, 1938.

JWB  
JWB

PA/H  
Mr. Hornbeck

Tokyo's despatch no. 3489 of December 1, 1938, entitled "Sino-Japanese Hostilities: Statement of Mr. Tsurumi, Member of the Diet, concerning United States Views", summarizes a press report of statements made by Mr. Tsurumi on his return on November 29 to Japan from a visit to England and the United States. Mr. Tsurumi was reported as stating that American and British public sentiment had turned decidedly in Japan's favor after the capture of Canton and Hankow; that, in his opinion, serious domestic difficulties facing the United States contributed to the changing sentiment; that the American note of protest against Japanese violations of the Open Door was only a gesture on the part of the President to distract attention at home from domestic difficulties; that Mr. Tsurumi had been told by a State Department official that the United States has no intention of insisting on the Open Door in China by force; and that it was up to Japan to offer the United States Government some measure of assurance to enable that country to withdraw completely without losing face.

Mr. Tsurumi's statements are illustrative of the probably intentional failure of Japanese returning to Japan from abroad to give to the Japanese people a true picture of foreign opinion respecting Japan.

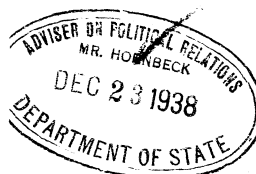
793.94/14508

FE:Salisbury:HES *guc*

7024  
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

No. 3489

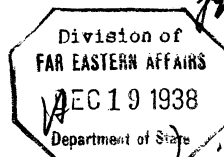
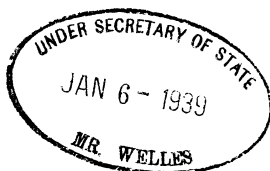
Tokyo, December 1, 1938

SUBJECT: SINO-JAPANESE HOSTILITIES: STATEMENT OF  
MR. TSURUMI, MEMBER OF THE DIET, CONCERNING  
UNITED STATES VIEWS.

DEC 17 AM 11 24

COMMUNICATIONS  
AND RECORDS

793.94



Copy in 72  
720  
B  
Jie

793.94/14508

The Honorable

The Secretary of State

Washington

Sir:

I have the honor to report that Mr. Yusuke  
Tsurumi, a member of the Lower House of the Diet,  
returned on November 29 from a visit to England  
and the United States. As of possible interest,  
there is transmitted herewith a clipping from the  
JAPAN ADVERTISER of November 30, containing an  
interview by Mr. Tsurumi in which he states that  
American

1/  
CDBF

FILED  
JAN 6 1939

F/FG 14508

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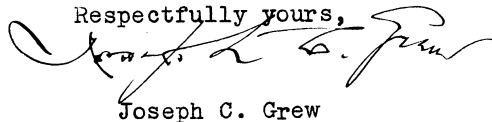
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

-2-

American and British public sentiment has turned decidedly in Japan's favor since the capture of Canton and Hankow. He also states that, in his opinion, the serious domestic difficulties faced by the United States contribute to the changing American sentiment. According to Mr. Tsurumi, "the recent United States note protesting the alleged Japanese violations of the open door and equal opportunity principles of the Nine-Power Treaty was nothing more than a gesture on the part of the President to distract public attention at home from domestic difficulties."

He concludes by stating that it is up to Japan to offer the United States Government some measure of assurance to enable that country to withdraw completely without losing face.

Respectfully yours,



Joseph C. Grew

Enclosure:

Clipping "Diet Member Sees Shift in U.S. Views",  
JAPAN ADVERTISER, November 30, 1938.

710  
ESC:mg

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. 3489, dated Dec. 1, 1938.  
 from the Embassy at Tokyo.

The Japan Advertiser.

Tokyo, Wednesday, November 30, 1938.

## DIET MEMBER SEES SHIFT IN U. S. VIEWS

Attitude in Britain Also Has  
Changed Since Fall of Can-  
ton and Hankow

### HOME CONDITIONS FACTOR

Returning Traveler Says Amer-  
ican Note Only to Hide New  
Deal Failure

American and British public senti-  
ment has turned decidedly in Japan's  
favor since the Japanese capture of  
Canton and the Wuhan area, according  
to Mr. Yusuke Tsurumi, House of Re-  
presentatives member, who returned  
yesterday from a visit in England and  
the United States by the Chichibu  
Maru from San Francisco.

Whereas he found Americans ex-  
tremely hostile toward Japan because  
of the China conflict when he went to  
the United States in June, Mr. Tsuru-  
mi believed that the chief concern  
both in America and England at pre-  
sent is the protection of their respec-  
tive interests in China.

Mr. Tsurumi said he has many  
friends in America, including Govern-  
ment officials, businessmen, authors  
and newspapermen, to whom he ex-  
plained Japan's position in the China  
incident. A lot of them thought at  
first, apparently influenced by Chinese  
propaganda, that Japan could never  
win in China, it seemed to him, but  
they gradually have come to under-  
stand Japan better, especially since the  
capture of Canton and Hankow.

### London Also Changed

He encountered a similar change of  
heart, he said, in London, where many  
Britons now seek to court Japan's fa-  
vor in order to maintain their holdings  
in China, as a result of the fall of  
Canton and Hankow.

Britain has come to realize, explain-  
ed Mr. Tsurumi, that it can never de-  
fend its interests in the Far East by  
force of arms against Japan. This re-  
alization has been deepened with the  
recent displays of strength by Italy  
and Germany.

Mr. Tsurumi met high British Gov-  
ernment officials in London, including  
the Foreign Secretary, Lord Halifax.  
Most of them are certain of Japan's  
victory in China, he reported, but are  
skeptical about settlement of the in-  
cident.

When questioned, Mr. Tsurumi said  
that he does not believe the capture  
of Canton and Hankow is the only  
factor in changing American senti-  
ment. The United States at present is  
faced with serious domestic difficul-  
ties, he intimated.

### New Deal Has Failed

President Roosevelt's New Deal poli-  
cies have failed, averred Mr. Tsurumi,  
and both Republicans and Democrats  
now consider his policies as no good.  
With the United States under President  
Roosevelt spending \$3,000,000,000 on  
unemployment relief every year, ac-  
cording to Mr. Tsurumi, the people  
have concluded that it will be better  
for them to steer clear of the Far  
East. This situation, said Mr. Tsurumi,  
has contributed toward the changed  
American attitude toward Japan.

The recent United States note pro-  
testing alleged Japanese violations of  
the open door and equal opportunity  
principles of the Nine-Power Treaty  
was, according to Mr. Tsurumi, nothing  
more than a gesture on the part of the  
President to distract public attention  
at home from domestic difficulties.

The United States Government also  
wishes to keep hands off the Far East  
problem, said Mr. Tsurumi, but finds  
itself unable to do so until Japan offers  
some tangible evidence of sincerity in  
its policy of respecting foreign rights  
in China. Mr. Tsurumi revealed he  
had been told by a State Department  
official that the United States has no  
intention of insisting on the open door  
in China by force.

It is up to Japan, concluded Mr.  
Tsurumi, to offer the United States  
Government some measure of assur-  
ance to enable that country to with-  
draw completely without losing face.

702

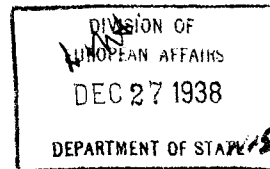
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

a

5315

**TELEGRAM RECEIVED**

FROM



JR

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

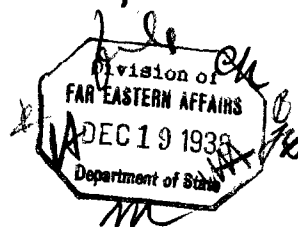
Peiping via N. R.

Dated December 16, 1938

Rec'd 5 a.m., 17th.

*of paraphrase*  
COPIES SENT TO  
O.N.I. AND M.I.I.  
*in conf. done*

Secretary of State,  
Washington.



725, December 16, 3 p.m.

One. According to information an officer of the  
Soviet Embassy has stated to a reliable informant this  
Embassy that (a) according to information from Embassy  
in Tokyo interference by the Japanese Navy has been  
responsible for delay in, (1) formulation and execution  
of definite plans for establishment of the projected  
"central government" for China and, (2) active operation  
of the new East Asia Bureau; (b) the navy's interference  
is due to, (1) its desire to obtain its share of credit  
for participation in the control of China affairs in  
general and to exert influence in those affairs,  
including the new federal regime, which the Japanese  
hope to establish and, (2) its opposition to Japanese  
military drive against the so-called "Red line" running  
south from West Suiyuan through Kansu.

Two.

793.94/14509

F/FG



7028

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

5316

-2- #725, December 16, 3 p.m., from Peiping via N. R.

Two. In connection with the last consideration the Japanese Army is reportedly preparing for a drive through West Suiyuan and south from Wuyuan, Suiyuan through Ninghsia to Lanchow, as part of its effort to cut, (a) the channel of Chinese supplies from Soviet Russia via Sinkiang and Sian, and (b) an alleged channel recently opened from Urga. Recent air raids against Wuyuan and Ningyuan are cited by some foreign observers as preparatory activities in this connection and there have been other indications that such an offensive was being planned as an alternative to the projected drive against Sian from South Shansi which has so far failed to materialize because the Japanese forces have not (repeat not) been able after repeated attempts for three months to effect a crossing of the Yellow River (See Embassy's 691, November 23, 5 p.m., paragraph three and 685, November 18, 4 p.m.).

Repeated to Chungking, code text by mail to Tokyo.

LOCKHART

PEG

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

Confidential

CONFIDENTIAL

P A R A P H R A S E

A telegram (No 725) of December 16, 1938, from the American Embassy at Peiping reads substantially as follows:

The Embassy has received from a reliable source information emanating from the Soviet Embassy (which obtained its information from the Soviet Embassy in Tokyo) to the following effect: Because of its opposition to a Japanese military drive against the so-called "Red line" running through Kansu Province south from west Suiyuan and because of its desire to get its share of credit for taking part in the control of Chinese affairs in general and to be influential in those affairs, including the new federal regime which the Japanese are hopeful of setting up, the Japanese Navy has by interference been responsible for delay in active operation of the new East Asia Bureau and in the planning and carrying out of definite arrangements for setting up the projected central government for China.

In connection with the Japanese Navy's opposition to a military drive against the "Red line" mentioned above it is reported that the Japanese Army is making ready for a drive through the western part of Suiyuan Province and south from Wuyuan (Suiyuan) to Lanchow through Ninghsia. Some foreign observers point to air raids made recently against Ningyuan and Wuyuan as activities preparatory to this drive which would be a part

of

793.94/14509

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-

CONFIDENTIAL

of the Japanese Army's attempt to cut an alleged channel recently opened from Urga and to cut the channel over which Chinese supplies are carried from Russia by way of Sinkiang and Sian. In addition to the air raids against Ningyuan and Wuyuan there have been other indications that the Japanese were planning an offensive such as that outlined above as an alternative to the projected offensive from southern Shansi against Sian. This latter offensive has not taken place up to the present time because, after trying for three months to cross the Yellow River, the Japanese troops have been unable to effect a crossing.

793.94/14509

EGC.  
FE:EOC:JFS  
12-20-78

MEP.  
FE  
RAW

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

December 23, 1938.

~~RRP:~~  
~~TOV:~~  
~~LES:~~

~~WAA:~~  
~~RCM:~~

Shanghai's despatch No. 1830 of November 23, 1938, concerning conditions in Hangchow, reports Clerk McAllister's personal observation that the Chinese population of Hangchow is confined to poorer classes eking out a bare existence; that Japanese merchants appear to be doing well; that the city is well fortified and patrolled but not heavily garrisoned; that movement about the city is not greatly restricted; that Chinese troops and bandits are active near the city; that American residents, engaged primarily in watching their properties, have been on moderately good terms with the Japanese and, except for the looting of Dr. Fitch's house, have suffered little disturbance of their properties; that fair train service to Shanghai is functioning; and that Mr. McAllister was courteously treated by the Japanese and, together with an American missionary, found no difficulty in removing his personal effects from Hangchow.

The despatch states that Mr. McAllister's observations agree in general with the Consulate General's information from other sources.

(Note: In relation to Hangchow American property, it is pertinent to observe that Shanghai's despatch of Nov. 22 reports Japanese disregard of American interest in the telephone administration)

FE: Chase: REK  
*82*

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. 1830

AMERICAN CONSULATE GENERAL,

Shanghai, China,  
November 23, 1938.

793.94

RECEIVED  
DEPARTMENT OF STATE

DEC 17 12 53

SUBJECT:

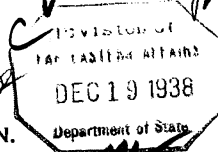
CONDITIONS  
AND RECORDS

Memorandum Concerning Conditions  
in Hangchow, Chekiang Province.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.



SIR:

1/ I have the honor to submit with this despatch a memorandum, prepared by Clerk David T. McAllister of this Consulate General, concerning conditions in Hangchow, Chekiang Province. Mr. McAllister visited Hangchow from October 25 to 30 and from November 2 to 5, 1938 while on local leave from his duties in this Consulate General. Mr. McAllister's memorandum is, in general, in agreement with the information the Consulate General has obtained from other sources concerning conditions in Hangchow.

Respectfully yours,

C. E. Gauss,  
American Consul General.

Enclosure:

1/ - Copy of memorandum prepared by  
Clerk David T. McAllister of  
Shanghai Consulate General.

800  
MH:fc  
In Quintuplicate.  
Copy to Embassy, Peiping.  
Copy to Embassy, Chungking.  
Copy to Embassy, Tokyo.

1-1221

793.94/14510

F/EG 14510

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. 1730, dated November 23, 1938, from C. E. Gauss, Consul General at Shanghai, China, on the subject of: "Memorandum Concerning Conditions in Hangchow, Chekiang Province."

COPY

November 18, 1938.

# MEMORANDUM

Subject: Conditions in Hangchow, Chekiang  
 October 25th to 30th and November 2nd to 5th.

## The General Situation

When viewed superficially, the principal business and residential districts of Hangchow appear to have suffered little damage as a result of hostilities and the Japanese occupation, except for the railway stations and immediate vicinities. More careful inspection shows that many small areas throughout the city have been destroyed by fire and that behind many of the walls, houses which were thoroughly looted are now crumbling rapidly, as timbers and flooring are removed for fire wood and temporary shelters. Most of the streets appear clean but deserted, although, I am told, many Chinese of the poorer classes are returning. The standard of living is very low among these, and there is little hope of improvement. Chinese shopkeepers are doing a meager business with remnants of stock which they were able to hide or remove to the country during the period of looting. They find it almost impossible to renew their supplies, as Chinese without Japanese backing, I understand, cannot ship in merchandise except at prohibitive rates. Japanese firms, which are growing in number, appear to have little difficulty. The Japanese Consul General informed me that there are about eight hundred Japanese civilians in Hangchow, among them many women and children, including his own family.

In areas not under Japanese control, I am told, only land in relatively inaccessible places is being farmed, because of frequent raids by Chinese bandits. Most of the land visible from the railway is under cultivation, as all trees and buildings for several hundred yards on both sides of the roadbed have been destroyed, forts have been built at all the stations, and the line is carefully patrolled. Other forts have been built at strategic points in Hangchow itself, and a new fort is being completed at the base of the approach to the Chien Tang River Bridge. Cavalry, tanks, and small field guns as well as infantry took part in a series of parades celebrating the fall of Hankow; but there seems to be no large garrison in the city. Although all railway men wear Japanese military uniforms and Japanese military police supervise inspection of passes and baggage, the majority of the police on duty at the railway station and on the streets are Chinese. Movement about the city is not greatly restricted. Sentries are posted at a few places only, notably at the entrance to the Inner West Lake area where the Japanese Consulate is located. It is possible to drive as far as Ling Yin Temple on the north side of the lake and to Hangchow

Christian

7034

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

- 2 -

Christian College along the river. Chinese troops are still active on the south bank of the river and frequently fire across to the road on the north bank. On both of my return trips to Shanghai there was a wounded Japanese in the officers' section of the second class coach.

#### Americans in Hangchow

Americans in Hangchow have been on moderately good terms with the Japanese authorities since the beginning of the occupation. The Americans with whom I was staying and those with whom I travelled about the city were treated with courtesy by all Japanese officers with whom we came in contact. I was approached politely whenever my pass and my baggage were inspected; and on my return to Shanghai a military police officer gave me voluntary assistance in buying my ticket.

American property has not been greatly disturbed; except for the looting of Dr. Robert Fitch's house, which was not occupied by an American at the time of the arrival of the Japanese. The Northern Presbyterian Mission compound, where I formerly resided, was hurriedly looted once during the absence of the resident American. A few small articles were taken.

The Americans now living in Hangchow are engaged primarily in keeping the various properties intact. A day school of about one hundred children of the neighborhood is being held informally on the Northern Presbyterian Mission compound. Religious text material -- to which the Japanese authorities have made no objection -- is being used exclusively. Americans are also cooperating with the C.M.S. Hospital (British) in its extensive medical work.

#### Train Service

Two regular trains carrying passengers run each day from the north station at Shanghai to the city station at Hangchow, and two trains leave Hangchow for Shanghai on a corresponding schedule. The early train leaves at 7:30 a.m. (8:30 a.m. Tokyo time, according to the schedule) and carries only second and third class passengers; the later train, leaving about noon, is a mixed train with third and fourth class coaches attached.

Second class consists of one coach, a large part of which is reserved for military officers. Civilian passengers are mostly Japanese, but include also a few Chinese who appear to be on very friendly terms with the Japanese. The fare to Hangchow is Yen 5.70. It seems to be unnecessary for second class passengers to arrive at the station more than forty-five minutes before train time, as ticket selling begins at about 7:00 a.m. and the line at the second class window is usually not long. Passes must be shown when tickets are purchased. Hand baggage in small quantities is permitted in the coaches; other baggage may be checked, apparently without limit, although there is a charge for

excess

7034

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 -

excess beyond a certain weight. All baggage is subject to inspection both at Shanghai and at Hangchow. Because of the crowds at the Shanghai station, it is difficult to check baggage at this end; at Hangchow it is much simpler. I have been informed that the International Guides Bureau now undertakes to sell tickets and handle baggage.

Third and fourth class traffic is heavy, but especially so from Shanghai to Hangchow. Lines form in front of the ticket windows many hours before daybreak, often the night before, I am told.

#### Removal of Personal Effects

Mr. J. H. Arthur of the American Presbyterian Mission, North (formerly located in Hangchow, now in Shanghai) and I found no difficulty in removing personal effects from Hangchow. We called at the Japanese Consulate General at Hangchow, where Mr. Domyo, the Consul General, and his assistant, Mr. Nihshino, received us personally. Mr. Domyo suggested that each of us write him a letter giving a list of the pieces to be shipped and a brief statement of the contents. In return, and without delay, we were each given a permit. Our shipments left Hangchow a week apart, but in each case a Japanese transportation company trucked the goods to the railway station at Hangchow for a reasonable charge (Yen 5.00 for my 15 assorted pieces), the goods were brought to Shanghai by freight the same day (at a charge of Yen 13.20 in my case), and in Shanghai a Japanese transportation company received the goods at the station and made delivery (charge, Yen 20.00).

D. T. McAllister.

Copied by FC  
Compared with MB



7034

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



THE FOREIGN SERVICE  
OF THE  
UNITED STATES OF AMERICA

DEC 17 AM 11 21 AMERICAN EMBASSY

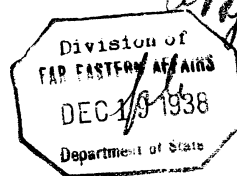
Tokyo, December 2, 1938.

COMMUNICATIONS  
AND RECORDS

No. 3492.

SUBJECT: ARTICLE PUBLISHED BY THE "SHIUNSO".

793.94  
mt  
500 174d



793.94/14511

The Honorable

The Secretary of State,  
Washington.

Sir:

Supplementing my despatch No. 3452, November 17,

1/ 1938, I have the honor to forward to the Department,  
in single copy, the publisher's translation of the  
article published recently by the SHIUNSO entitled  
"America and the Nine Power Treaty". This English  
translation was sent to me by the SHIUNSO without  
covering letter.

Respectfully yours,

*Joseph C. Grew*  
Joseph C. Grew.

710  
EWS:C

Enclosure:  
1/ As stated.

F/FG

14511

# UNITED STATES AND NINE-POWER PACT

The note submitted by the United States Government to the Government of Japan on October 6 has again brought up to discussion America's persistent view on the Nine-Power Pact. This we regret seriously for the sake of the United States.

To speak without reservation, we are not inclined to take up the question of the Nine-Power Pact now, as it is like chasing the last night's dream when the sun has already risen on the eastern sky. But as long as there still remain nations yet persistently advocating the Nine-Power Pact, we have to discuss it again and again until the nature of this question is made thoroughly clear.

## — Japanese Feel Unpleasant —

1. First the Americans must realize that concerning the Nine-Power Pact the Japanese people possess extremely unpleasant associations.

But as to the reason why we have such associations, it is better to let Sir Arthur Willert of England speak rather than we do ourselves.

Sir Arthur was the director of the intelligence Bureau of the British Foreign Office until 1935, and he speaks of the Washington Conference and the Nine-Power Pact in his book "The Empire in the world" published by the Oxford University Press in 1937. In the book he says that it is not strange that Japan entertained unpleasant sentiments toward England just as Germany or Italy does, and that at the Washington Conference the British and American delegates "arranged the Far East to suit themselves and their ideals" under their guidance and with the perfect and effective accord that was never before seen in the diplomatic history of the two nations. They have also buried the Anglo-Japanese Alliance, he says, and England who had no more threat of the German Navy was able to win the favor of the United States by abolishing the Alliance. Under the strong pressure brought by England and the United States in clever arguments, Japan was forced to resign herself to the loss of her own position in China. Japan's special rights and interests in Shantung province which were recognized at the Paris Peace Conference were forced to be given up. Japan's special position in China was denied by the Nine-Power Pact. Furthermore, Japan was forced to accept the naval limitation ratio of 5: 5: 3 on her capital ships.

"Morally and materially the Washington treaties were as bitter a blow to Japan as two friendly nations have ever delivered against a third," Sir Arthur says. Yet for several years after the Washington Conference, Japan was the model citizen of the world.

If Americans were in the place of the Japanese and read Sir Arthur's view in his book, how would they feel? It is wrong for the Japanese to feel dissatisfaction with the Washington Conference and the Nine-Power Pact which is one of the treaties concluded then?

## — Pact is Already Dead —

2. The people of Japan believe that the Nine-Power Treaty is already dead and a thing of the past.

Because Japan most faithfully and foolishly respect all treaties which are even greatly undesirable to herself, she is praised as "the model citizen of the world" by Sir Arthur Willert.

Former Secretary of State Stimson of the United States also said in his book "The Crisis of the Far East" that Japanese Government has in the past ten years the record as the exceptionally good citizen in the international family. (Whether such praise is really honorable or dishonorable to Japan is only known to those who understand.)

But do Americans ever think that for Japan who is such a good observer of treaties to adopt an attitude that will be questioned in connection with the Nine-Power Pact there must be points in the Pact itself that do not conform to the present tendency and are unfit under the actual conditions?

(1) The world situation has vastly changed since the time when the Nine-Power Treaty was signed seventeen years ago. Former Secretary of State Stimson said that the exclusion of one item of the Washington Treaty would make the rest entirely void.

But has not the naval agreement in the treaty been already abrogated, and the London Naval Limitation Treaty which was concluded as an extension of the Washington Treaty come to its natural death?

(2) The recent condition of China—particularly the present China incident—can not be conceived of without considering the invasion of Russian Communism into China. Russia was not a party to the Nine-Power Treaty because of the condition of that country at that time, and thus her invasion into Outer Mongolia and Bolshevizing of the main part of China are not criticized under the Nine-Power Pact. Japan only is the object of attack. Can this be really said to be right?

(3) The great difference between the present condition of China and that of seventeen years ago is a fact that can never be denied.

According to what is reported to be the view of the American political circle, the United States seems to be intending not to recognize the new situation in China, "because the new situation in the Far East is caused by Japanese invasion into China in violation of the Nine-Power Pact and the Anti-War Pact." Their thought that the present new situation in China was caused purposely by the ambition of Japan is in itself a great misunderstanding, but putting aside this question until further discussion, what does it mean by America's refusal to recognize the new condition that exist today?

Suppose there is a fact that the sun has risen on the eastern sky, but the United States says "Here it is still night and we cannot recognize the fact that the sun has risen on the eastern sky." Yet if it is a fact that the sun has risen, nothing can be done with it.

Though the United States alone thinks that it is still night, it does not mean that the daylight program will stop its progress a second.

There is an old story that a man who dropped an article into the sea from a moving boat, put a mark on the side of the boat, and insisted that the article fell from that spot. This man did not know that although he marked the spot, it is of no value at all as the boat was moving. America's persistence on the Nine-Power Pact is like what this man on the moving boat did.

## — Who Are the Violators? —

3. If Japan's action is in violation of the Nine-Power Pact, how are the violations of the same treaty by Great Britain, the United States, France and China committed before to be handled?

On this point we have already discussed in our article "Who Violated Nine-Power Pact?" last winter. But to various nations which still insist on respecting the Pact as ever, we feel the need of repeating what we already said.

(1) When the Lincheng incident broke out on May 6, 1923, it was Great Britain who forgetting the existence of the Nine-Power Pact concluded only a year before, proposed the international control of main Chinese railway lines, and thus first attempted to ignore the Pact. The supporters of this proposal were the United States, France and other signatories of the Pact, excepting Japan.

(2) When the anti-British movement that had arisen in China since 1925 became developed and the British Concession at Hankow was occupied by the Chinese on January 3, 1926, England mobilized three Division of Army and since January 25, 1926 sent in all 13,000 troops to Shanghai, and at the same time insistently urged Japan to make a joint military expedition to China. Isn't it a clear case of violation of the Nine-Power Pact?

(3) To fight the band of Chinese marauders, the British and American warships on the Yangtze river opened fire and attacked Nanking for two days beginning March 24, 1927. If Japan's action is to be criticized, this is also the violation of the Nine-Power Pact by Great Britain and the United States.

(4) In 1935, Mr. Leith-Ross came to China and revised the currency system of China, making the Chinese currency link with the British pound sterling. This has violated the Power's equal opportunity in banking field, and also violates the Nine-Power Pact.

(5) On November 3, 1937, the United States proposed the holding of a Conference of the signatory nations of the Nine-Power Pact at Brussels to discuss Japan's violation of the Treaty. It was very selfish of the United States to open such a meeting without consulting Japan, one of the signatory nations, and invited to it

the Soviet Union who is not a party to the treaty.

There are also numerous cases of violation of the treaty by other Powers. Does the United States feel right to entirely ignore the numerous violations of the pact by herself, Great Britain, France and other countries and to question the violation by Japan alone? Are we right to think that there is no provision in the Nine-Power Pact permitting Great Britain and the United States to violate its terms as they wish, and providing that Japan alone should most faithfully respect it?

## — China's Own Violations —

4. When it comes to the violation of the Nine-Power Treaty by China, it is so universal and chronic that its violation has become the normal condition. It is difficult to point out cases when China did not violate it.

Originally it is a very shameful thing as an independent nation for China to rejoice at the promise of respecting her sovereignty, independence and territorial and administrative integrity given by other eight nations excluding herself, and also to accept the Nine-Power Treaty which provides for the open-door and equal opportunity or in fact extreme internal interference. Furthermore, China violated the entire provisions of the treaty, and yet she is shameless enough to try to confront Japan on the ground of the Nine-Power Pact.

(1) China once occupied the British concession at Hankow by military force, attempting to drive out the influence of Great Britain, one of the signatory nations of the pact from her own territory, (2) China repeatedly carried out boycott of Japanese goods, (3) China destroyed lives and property of foreigners in the Lincheng and other incidents. (The Nine-Power Treaty was concluded on the premise that China was not such a country), (4) China never carried-out Article 9 for the reduction of military forces, of the Washington Treaty which is absolutely inseparable from the Nine-Power Treaty and further increased her military strength, (5) China adopted the policy of inviting Communism and cooperated with the Comintern. (6) Against Japan, one of the Nine-Power Treaty signatories, China has adopted openly, even previous to the Manchurian incident, a policy of rejecting, confronting and insulting Japan, and filled school text books with anti-Japanese articles, (7) because of this policy many Japanese were attacked and massacred by Chinese, but China never held herself responsible for such incidents. All these facts prove that China has been giving no thought to the Nine-Power Treaty. When did the United States and other signatory nations charge China with the violation of the Nine-Power Pact?

In the meanwhile Japan has always followed the policy of non-avenging despite the repeated provocative and challenging attitude of China. How silently and patiently Japan had borne the malicious acts of China is even recognized in his book by the former Secretary of State Stimson of the United States who possesses a very strong anti-Japanese sentiments.

Thus Japan has been praised (?) by Mr. Stimson as possessing a record of being an exceptionally good citizen of the world. Yet can the United States attitude in treating Japan alone as the violator of the Nine-Power Pact be called fair and just?

## — America's Discriminations —

5. Are not the United States discriminating against Japanese and Japanese goods?

The American note to the Japanese Government given on October 6 has a part saying that the United States has never discriminated against Japanese Merchandizes in her own territory or in third nations. This, however, make the Japanese people feel a very strange sensation.

The United States is restricting the Japanese immigration within her territory, prohibiting the owning of land by Japanese, and refusing them the right of naturalization. In these points the United States are discriminating against Japanese.

Furthermore, the United States is practically discriminating against Japanese goods by high tariffs and other measures. Are the State Department authorities forgetting these facts?

**Great Britain is neither permitting the entrance of Japanese immigrants into her vast territory, nor allowing Japanese to exploit her surplus natural resources even under proper conditions.**

Furthermore, against Japanese merchandizes she has blocked their markets by means of heavy tariffs, despite the fact that Japan is always an import surplus country. Then, she is hindering the peaceful development of Japan in China, her neighbor. Such tyranny of Great Britain is unpardonable, from the standpoint of the principle of the world peace and mutual prosperity.

## — Imitating British Attitude —

It is our great regret that even the United States are often acting as though to imitate the attitude of Great Britain, without considering the anger of the Japanese people against such tyranny.

The oppression on Japan by Great Britain and the United States at the Washington Conference and other occasions has caused China become self-conceited and arrogant against Japan. This coupled with the intrigue of Great Britain and Soviet has appeared as the movement to reject, confront and insult Japan. At last, even Japan who was praised by Stimson for patience and indulgence was obliged to commensurate military operation of punishment, which appeared as the Manchurian incident and the present incident. The new situation in China brought about by Japan's anger felt for so many years and at the sacrifice of numerous noble lives, the United States refuses to recognize, and still intends to question Japan's violation of the Nine-Power Treaty.

Does not the United States feel the reproach of her conscience? In short, it is extremely strange that although the Nine-Power Treaty question has already disappeared a long time ago with the change of the situation, the United States is still discussing it. Then it is more strange that the United States who is firmly determined and cautious not to be involved in European controversies is willing to be drawn into the vortex of the China problem.

Has not the United States again become a victim of the intrigue of England or the Comintern and made to pick out chestnut out of the fire? For the sake of the friendly relations between Japan and the United States, we sincerely hope that the United States will seriously reflect on this point.

(The New York Evening Post said on November 7 that the Nine-Power Treaty is harmful and of no benefit to the realistic international politics just as the League of Nations is, and the existence of such a treaty not conforming to realities will cause international unrest. We realize that even in the United States there are persons who understand the world situation.)

In the event of the United States recognizing the new situation in the Far East and proposing to cooperate with Japan, we expect that our diplomatic authorities will talk most frankly and prove in facts that Japan (1) will never be narrow-minded, (2) will never be tyrannic, (3) will never be stingy in sharing with friendly nations, and Japan will always follow the path of the mutual existence of all nations and the mutual prosperity of humanity, as opposed to the past selfish policy of the British type.

## THE SHIUN-SO

November, 1938.

No. 22, 2-chome, Uchisaiwai-cho, Kojimachi-ku, Tokyo, JAPAN.

(This statement was published in four leading vernacular newspapers in Japan.)

7038

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

義真同大子孔揚闡  
 會備籌會大平和界世禱祈

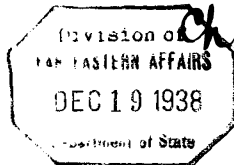
RECEIVED  
 WORLD PEACE PRAYER CONFERENCE

(FOR THE EXPOSITION OF CONFUCIAN COSMOPOLITANISM)

1938 DEC 17 AM 11 44

PREPARATORY COMMITTEE

DIVISION OF  
 COMMUNICATIONS  
 AND RECORDS



TELEGRAPHIC ADDRESS:  
 "CONFERENCE" SHANGHAI  
 TELEPHONE 41127  
 862 BOONE ROAD

Shanghai, November 26th 1938.

To the Hon. Secretary of State Cordell Hull,

We beg to offer our humble respect and admiration to you, though we are unfortunately separated apart by the wide space that lies between us. The present German-Czechoslovakian crisis has almost reached the point of war, however through your appeal for world peace, the Munich Agreement has since then come into existence, and Europe was thus saved from the grip of imminent disaster. We like everyone else in the world are grateful for your effort which shall always pass down in history as one of the greatest contributions toward the welfare of mankind. But however, East Asia is still in the midst of destruction and bloodshed. It must have been deeply concerned by any person like you who is working for the welfare of mankind.

The unfortunate fate that awaits the world today has its hidden causes. The present war between China and Japan is only the beginning. If no sound solution is devised to improve the situation, it shall inevitably lead to untold distress and affliction throughout the entire world. The damage done then would be far greater than that of today. This point has been long apprehended by Tuan Szetsun, the Great Teacher, fifty years ago. He prophesized that it is not at all impossible to save the world from destruction if the best is done before any outbreak of war. Influenced by the prophesis of Tuan Szetsun, many personages in Shanghai, Hangchow and other cities, started in October 1934, a World Peace Prayer Conference which was to be an universal organization. For two years, numerous correspondences have been exchanged among both foreign and Chinese nationals in regard to the organization. All agreed to appeal to Tuan Szetsun, requesting him to enlighten us on the hidden causes of the unfortunate fate that awaits the world, so as to put a stop to all blind struggles and to bring us to a brighter world. However, the government authorities showed no keen interest in the movement. In 1937, seeing that there was no hope of securing any aid from the government, Tuan Szetsun gave public notice in July of the same year that he would retire. On the day following his retirement, the Narco Polo Bridge Incident broke out and thus started the present Sino-Japanese undeclared war. At present the

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

2

adversity of war seems to be limited in China alone, but in case the Sino-Japanese problem remains unsettled for long, or in case it is unjustly settled, there shall always be the danger of starting a greater disturbance in the world. The traditional enmity between France and Germany was the doorstep of Europe's last calamity. Previous examples have fully shown the deep affliction of racial hatred and class struggle. The entire world can be easily involved in such affliction, except only when justice is maintained.

Tuan Szetsun is a most learned man, taking up the task of world salvation as his duty. For fifty years, he has worked for humanity and world peace. Although he is now in retirement he forgets not for a moment the work of world salvation. Should the people of the world continue to request him to throw enlightenment on us all, it is certain that he will reveal to the world the true interpretation of universalism, and the fundamental means of extinguishing the hidden causes of this coming disaster.

The world today is in a critical situation; the chance of war or peace is in balance. We have learned with respect that you have always cherished highly the spirit of service to mankind. This gives us assurance that you will render us your generous support which we need most earnestly in realising the aims of our Conference. The moral deed and virtue of you has occupied a high place in everyone's heart. A call from you will undoubtedly be responded by the whole world, so you will give us an earlier date of realization of our aims. It will help to solve the present Sino-Japanese hostility, and lay the foundation of world peace. At the same time, it shall be an honor to our Conference and of great benefit to the world. Furthermore your meritorious deed shall be remembered forever throughout the years to come.

We again beg to offer you our humble respect, we remain,

Yours very truly,

WORLD PEACE PRAYER CONFERENCE

*Sung Hsin Long*

Hon. Secretary.

X

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

義真同大子孔揚闡  
會備籌會大平和界世禱祈

WORLD PEACE PRAYER CONFERENCE

(FOR THE EXPOSITION OF CONFUCIAN COSMOPOLITANISM)

PREPARATORY COMMITTEE

TELEGRAPHIC ADDRESS:  
"CONFERENCE" SHANGHAI  
TELEPHONE 41127  
862 BOONE ROAD

Shanghai, Nov. 24th 1938.

NOV 22 1938

Division of  
FAR EASTERN AFFAIRS  
DEC 27 1938

Department of State

To the Honourable President Roosevelt,

We beg to offer our humble respect and admiration to you, though we are unfortunately separated apart by the wide space that lies between us. Through your appeal for peace, and suggestion of convening an international conference, the Munich Agreement has since then come into agreement, and Europe was thus saved from the grip of imminent disaster. We like everyone else in the world are grateful for your effort which shall always pass down in history as one of the greatest contributions toward the welfare of mankind. But however, East Asia is still in the midst of destruction and bloodshed. It must have been deeply concerned by any person like you who is working for the welfare of mankind.

The unfortunate fate that awaits the world today has its hidden causes. The present war between China and Japan is only the beginning. If no sound solution is devised to improve the situation, it shall inevitably lead to untold distress and affliction throughout the entire world. The damage done then would be far greater than that of today. This point has been long apprehended by Tuan Szetsun, the Great Teacher, fifty years ago. He prophesized that it is not at all impossible to save the world from destruction if the best is done before any outbreak of war. Influenced by the prophesis of Tuan Szetsun, many personages in Shanghai, Hangchow and other cities, started in October 1934, a World Peace Prayer Conference which was to be an universal organization. For two years, numerous correspondences have been exchanged among both foreign and Chinese nationals in regard to the organization. All agreed to appeal to Tuan Szetsun, requesting him to enlighten us on the hidden causes of the unfortunate fate that awaits the world, so as to put a stop to all blind struggles and to bring us to a brighter world. However the government authorities showed no keen interest in the movement. In 1937, seeing that there was no hope of securing any aid from the government, Tuan Szetsun gave public notice in July of the same year that he would retire. On the day following his retirement, the Marco Polo Bridge Incident broke out and thus started the present Sino-Japanese undeclared war. At present the

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

2

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Tuan Szetsun is a most learned man, taking up the task of world salvation as his duty. For fifty years, he has worked for humanity and world peace. Although he is now in retirement he forgets not for a moment the work of world salvation. Should the people of the world continue to request him to throw enlightenment on us all, it is certain that he will reveal to the world the true interpretation of universalism, and the fundamental means of extinguishing the hidden causes of this coming disaster.

The world today is in a critical situation; the chance of war or peace is in balance. We have learned with respect that you have always cherished highly the spirit of service to mankind. This gives us assurance that you will render us your generous support which we need most earnestly in realising the aims of our Conference. The moral deed and virtue of you has occupied a high place in everyone's heart. A call from you will undoubtedly be repounded by the whole world, so you will give us an earlier date of realization of our aims. It will help to solve the present Sino-Japanese hostility, and lay the foundation of world peace. At the same time, it shall be an honor to our Conference and of great benefit to the world. Furthermore your meritorious deed shall be remembered forever throughout the years to come.

We again beg to offer you our humble respect, we remain,

Yours very truly,  
 WORLD PEACE PRAYER CONFERENCE

Sung Hsin Zong  
 Hon. Secretary.

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  
 DEPARTMENT OF STATE  
 DIVISION OF FAR EASTERN AFFAIRS  
 JUN - 6 1939  
 June 5, 1939.  
 DIVISION OF  
 COMMUNICATIONS AND RECORDS  
*DCR*  
*file*  
*mmh*

Reference attached letter of April 5, 1939, signed by Sung Hsin Zong as Hon. Secretary of the World Peace Prayer Conference:

A number of letters have been received from this organization. They have all been signed by Sung Hsin Zong and follow pretty much the same pattern. Attached hereunder are three of these letters -- March 27, 1935, November 24, and November 26, 1938. There are at least two others which I distinctly remember recently to have marked "file" and which are still tallied to this Division but cannot at present be located.

The previous letters have been filed without acknowledgment and I suggest that this letter of April 5 should have the same treatment, especially as the Department does not correspond directly with private persons in foreign countries and as this letter does not appear to be of sufficient importance to warrant an instruction to the Consul General at Shanghai to make acknowledgment thereof.

793.94/

*EJC*

FE:Christenson:HES

004

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  
ADVISER ON POLITICAL RELATIONS

June 1, 1939.

The Chinese Ambassador informs me that he has never heard of the World Peace Prayer Conference or of Tuan Szetsun or of the writer of this letter, Sung Hsin Zong.

I would suggest that there be prepared a simple acknowledgment with thanks.

The writer refers to a communication which he says he addressed to Mr. Welles last November. That communication and disposal made of it might be looked for.

  
Stanley K. Hornbeck

PA/H:SKH:ZMK



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

SICK  
4

May 5

PA/H-

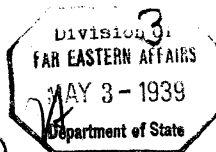
You mentioned  
 that you would  
 speak to Mr. Hornbeck  
 on this.  
 17 mH



DEPARTMENT OF STATE  
 ADVISER ON POLITICAL RELATIONS

FE

H



Please see  
 me on this



SH

7044  
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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

DEPARTMENT OF STATE  
THE UNDER SECRETARY  
May 3, 1939

PA/H ~~Mr. Hornbeck~~:

FE - Mr. Hamilton:

For such acknowledgement  
as you deem appropriate.



U.S.W: LJ

104

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

義真同大子孔揚闡  
會備籌會大平和界世禱祈  
WORLD PEACE PRAYER CONFERENCE  
(FOR THE EXPOSITION OF CONFUCIAN COSMOPOLITANISM)  
1939 JUL 6 PREPARATORY COMMITTEE

TELEGRAPHIC ADDRESS:  
"CONFERENCE" SHANGHAI  
TELEPHONE 41127  
662 BOONE ROAD

DEPT. OF  
COMMUNICATIONS  
AND RECORDS

Shanghai, April 5th 1939.

Mr. Sumner Wells,  
Washington, U.S.A.

Sir:

Last November in view of the conflict between Germany and Czechoslovakia, and the chaotic situation between Japan and China, which, if without just and adequate settlement, would inevitably result in a world-wide disorder, we have humbly submitted you our proposal for retrieval which we sincerely trust have your recollection.

The unfortunate fate that awaits the world today has its hidden causes. The present expansion of armaments among powers will lead to the road of world destruction. This point has been long apprehended by Tuan Szetsun, the Great Teacher fifty years ago, aiming at the salvation of world from destruction. Influenced by the prophesis of Tuan Szetsun, many personages in Shanghai, Hangchow and other cities, started in October 1934, a World Peace Prayer Conference which was to be an universal organization. For two years, numerous correspondences have been exchanged among both foreign and Chinese nationals in regard to the organization. All agreed to appeal to Tuan Szetsun, requesting him enlighten us on the hidden causes of the unfortunate fate that awaits the world, so as to put a stop to all blind struggles and to bring us to a brighter world. However the Government authorities showed no keen interest in the movement. In 1937, seeing that there was no hope of securing any aid from the Government, Tuan Szetsun gave public notice in July of the same year that he would retire. On the day following his retirement, the Marco Polo Bridge Incident broke out and thus started the present undeclared Sino-Japanese war.

Today, the crisis in central Europe arose again to a even graver degree, following the Sino-Japanese problem. You in your Washington declaration has asserted that by the observance of international law and order can world peace be maintained.

F.W. 793.44/14512

The world today is in a most critical situation. The chance of peace, which is practically on the brink of complete extinction, depends entirely on the effort of you.

The international situation created through all these years has been so entangled in itself the varied interests of different nations that they are as hard to solve as deadlocked chains. Sufficient proof for this statement can be seen in the failure of the various forms of collective security system in maintaining peace of the world. Today the conflict of interest is more ensharpened than ever. Should there be no special and outstanding method, the world could never be retrieved from disaster.

World order or chaos actually depends upon the people. The conflict among people should be appealed to great prophets and learners for settlement; only such settlement can be thorough and permanent. Otherwise, it may be possible to have a temporary settlement, but it will never last long. At this unusual period, faced by unusual events, if there is an unusual man, there is no reason why disaster cannot be averted to fortune. Although the whole world is in confusion, yet should a great prophet and learner give his enlightenment to the world, leading the people to a new road, harmony and prosperity will soon be realized, and the world will still have eternal peace.

Tuan Szetsun, possessing a thorough knowledge of understanding the Laws of Divinity and embracing the wish of universal salvation, has been working for fifty years for humanity and justice, revealing the principles of humanitarianism and universal fellowship, thus retrieving the world from ruinous disaster. He is indeed the prophet and learner of the era. We believe that his most effective and basic principle has your sympathy. The present moment for carrying out his principle should not be lost. The beacon that has been burning in east Asia has not yet been extinguished, and the edge of conflict in Central Europe is ensharpened. We are in a more stormy world. The sign of the second World War is obvious, furthermore Tuan Szetsun has announced that peace or disaster for the world is to be decided within these hundred days.

You have been entrusted by the world with their hope for peace. Today is the time for you to realize their hope. From the previous experience, you are aware that at this outstanding moment, unless you shall take a fundamental policy, your effort will be in vain just as did in last time. Should a call be sent by you, leading the world in requesting Tuan Szetsun to come out from his retirement and to point out to the world the proper road to follow, and should he accept such a request, an immediate influence would be witnessed. Basing on what has been accomplished in the past, it would give us sufficient assurance that should this be realized, there would be closer and improved relations among mankind.

7 0 4 8

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

3

Living in the midst of war, witnessing the destruction which our country is facing at present, and learning the pending adversity in Western Europe, we are very much pained by the thought of the ruinous fate that awaits the world. At such a time, everyone should surrender his own selfish and personal views and respect the principles of universal fellowship of our prophet. We earnestly hope that the principle will be adopted and carried out into effect by you, so that there will be a re-birth of the world. We are sure that the whole world shall for ever be grateful to you for your meritorious deed.

We humbly awaits your reply,

We remain, Sir,

WORLD PEACE PRAYER CONFERENCE

*Sung Hsin Long*  
Hon. Secretary.

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 893.51/6738 FOR memorandum

State Department  
FROM FE (Hamilton) DATED Dec. 5, 1938.  
TO \_\_\_\_\_ NAME \_\_\_\_\_ 1-1127 \*\*\*

REGARDING: Sino-Japanese relations: Chinese still resisting  
Japanese aggression; according to Mr. Hall-Patch,  
but Japanese will attain their objective in China,  
although it may require from ten to twenty years.

aa

793.94/ 14513

14513

705  
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

December 23, 1938.

~~REF:~~

~~PCV:~~

~~LES:~~

Foochow's despatch No. 81 of November 9, amplifying telegrams (attached) reports that, as a result of the Foochow Chinese' over-confidence in Hankow's defense and Kwangtung's ability to repel invasion, the fall of these two cities severely shook their morale; that only efforts of patriotic elements prevented general defeatism; that rumors of activities of puppet agents in Foochow became rife; that on October 29 the Provincial Government issued "secret" orders for its own evacuation which became known and alarmed the public; that popular tension was further increased by the general belief that Japan had presented an ultimatum and by reports of Japanese landings near Foochow; that the officials became hysterical and forced the premature evacuation of 100,000 persons; that British nationals were hastily assembled for evacuation; that Americans were advised to go to bed pending receipt of reliable news; that the alarmist reports were shortly disproved; and that the populace, promptly returning contrary to the authorities' desire, were made happy by the "news" that President Roosevelt would "come out" to stop the war.

*REK*  
FE:Chase:REK

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. 81

AMERICAN CONSULATE

Foochow, China

DEC 19 11 31

November 9, 1938.

CONFIDENTIAL

SUBJECT: The Panic in Foochow on the night of  
October 31.

THE HONORABLE

THE SECRETARY OF STATE

WASHINGTON

SIR:

I have the honor to refer to this Consulate's telegrams of October 31, 5 p.m., and November 1, 5 p.m., and to its strictly confidential message of November 2, all on the subject of the present situation in Foochow, and further in that connection, to submit, as of possible interest and for the Department's files, a copy of this office's despatch of today's date to the Embassy, reporting on the panic which gripped Foochow on the night of October 31-November 1, 1938, upon the receipt here of word of a Japanese landing in force near Futsing, about thirty miles below Foochow on the Foochow-Amoy road.

Respectfully yours,

*Robert S. Ward*  
Robert S. Ward  
American Consul

Enclosure:

Copy of despatch no. 64, dated  
November 9, 1938.

800  
RSW:HCV

In quintuplicate.

793.94/14514

F/EGH



305

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. 81, dated November 9, 1938, from Robert S. Ward, American Consul at Foochow, China, on the subject of "The Panic in Foochow on the night of October 31".

No. 64

AMERICAN CONSULATE  
Foochow

November 9, 1938.

CONFIDENTIAL

Subject: The Panic in Foochow on the night of  
October 31.

The Honorable

Nelson Trusler Johnson,  
American Ambassador,  
Peiping.

Sir:

I have the honor to refer to this Consulate's telegrams of October 31, 5 p.m., and November 1, 5 p.m., and to its strictly confidential message of November 2, all on the subject of the present situation in Foochow, and further in that connection, to submit, as of possible interest and for the Embassy's files, a report on the panic which gripped Foochow on the night of October 31-November 1, 1938, upon the receipt here of what was generally believed to be a reliable account of a Japanese landing in force near Futsing, about thirty miles below Foochow on the Foochow-Amoy road.

At the close of September Chinese in Foochow appeared to believe that Hankow might be held until winter, and then might be successfully defended against

its

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

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its attackers until the return of warm weather; it was generally felt also that the South China drive would not begin until the fall of Hankow, and that with so many months in which to prepare, Canton could be made almost impregnable. The patriotism and the degree of preparation for war of the Cantonese had been held up to the Fukienese Government and people as exemplary, and illustrated weekly magazines published in Canton showing even Cantonese girls attired in smart uniforms being taught to operate the newest air-raid signal apparatus, etc., had convinced representative Chinese here that the time when they would have to face the isolation of the Province which would follow the fall of both Hankow and Canton was still many months away, if in fact it would ever come.

In the first ten days of October sentiment among responsible local Chinese began to shift away from this feeling of security, and in a striking editorial published in the NAN FANG JIH PAO (南方日報) of October 11 the editor of that paper cited press reports of Japanese transport and troop movements to support his prophecy that South China's "shameless tranquillity" would soon be ended by a Japanese attack on Canton, to be followed by an extension of military activities from the base on Amoy to the mainland of southern Fukien, and later by an attack on Foochow.

The launching of a large-scale Japanese attack on Canton on October 12 was not therefore a complete

surprise

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

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surprise to politically-interested Chinese in Foochow, and it was thought that it would be met with very strong resistance at some point inland from the coast, and the capture of the city could be delayed for weeks or perhaps months. The rapid progress of the Japanese armies was therefore a distinct shock to Chinese here: the fall of the city of Canton was at first regarded almost with incredulity, and the actual realization of its loss appeared to be having a sharper effect on the morale of the local Government than had even the fall of Nanking.

It then became evident that Hankow too, so long defended, was also soon to fall, and the average Fukienese appeared ready to believe that the war was almost over. There were, however, still many voices raised against this defeatist sentiment. The editor of the NAN FANG JIH PAO quoted above urged that the maintenance intact of the fighting force of the Central Government's armies would render illusory any victory which the Japanese might gain in the Hankow area, and pointed out that the basic plan of resistance had from the beginning envisaged the loss of both Canton and Hankow; Ch'en Chao-ying, the rotund and energetic Commissioner for Party Affairs, continued to call for the continuation of resistance, and to insist besides on the intensification of the conscription campaign.

How much the ordinary Foochow resident still hoped against hope for the success of this resistance in time

to

-4-

to save Fukien was made apparent on October 25, the day on which Hankow fell, when a false report alleging the recapture by Chinese forces of Canton was received here through the office of General Hwang Chen-wu, himself a Cantonese. An extra edition of the local paper was issued, and for perhaps six hours the populace gave vent to its feelings by celebrating, firing fire-crackers, and telling each other the good news. This jubilation was followed by an even sharper reaction to pessimism when in the evening radio broadcasts it was announced not that Canton had been retaken, but that Hankow had fallen.

The fact that this false report had gained such wide circulation in Foochow on the day when Hankow was taken gave rise to a typical rumor: it was suggested that agents of the Japanese, perhaps within the Government, had spread the report of a Chinese victory on that particular day to be able to report to Tokyo that the fall of Hankow, the stronghold of the Generalissimo, had been greeted in Foochow by a spontaneous outburst of popular joy. There had for days been stories current in the city of the presence here of agents of the Shanghai and Nanking regimes; several of the leaders in the "puppet" Governments of those two cities were reported to be Fukienese by birth, with relatives still resident in Foochow; and the continuance of the lumber trade with occupied areas, and the ease of communication with Hongkong, where contact with Japanese agents and with Formosans of Fukienese extraction might be

readily

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

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readily maintained, were only additional reasons, in the minds of local Chinese, for crediting the now more and more circumstantial accounts of the activities in Foochow of "puppet" agents. By the twenty-ninth of the month rumor had selected the personnel of the new Government which it was alleged would soon take control of the Province, and some at least of the local Chinese were ready to believe that the turn-over was only a matter of days.

In the current of this growing uncertainty, the Provincial Government convened on Saturday, October 29, in what was supposed to be a secret session, and resolved to order the partial evacuation of the city. The Commissioners of Customs, Post, and Salt, among other Government officials, were advised to effect the removal of their offices and staffs from Foochow to the interior, and all Government-controlled institutions were ordered to do the same. Although these orders were issued privately, and steps were taken to avoid undue alarm, their context was known all over Foochow by the next day, and, taken together with the report of the proceedings of the meeting itself, they did leave the definite impression that the Government had more immediate reasons than the fact of the fall of Hankow to believe that Foochow was soon to be attacked.

The Chief of the Foreign Affairs Department of the Provincial Government told this writer that an ultimatum had been expected for weeks, but that it

had

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had not yet come. Several days later my British colleague received from what he believed to be a reliable source a detailed statement of five Japanese demands alleged to have been made on the Chairman of the Province, General Ch'en I. A ranking local official to whom I repeated this story tried first to find out where I had heard it, and then, after a long pause and some confusion, said, "I can say that it is possible, but not probable". This was not a very convincing answer from a person who is known to be a member of Fukien's "inner-Cabinet", as the coterie of Provincial officials which rules the Province is called.

Whether they were true or not, the wide currency of these reports reflected a state of nervous tension so high that it was evident that the people suffering under it stood ready to be precipitated forward into panic and confusion by the slightest additional strain. The added impetus was not long in coming. On the afternoon of October 31 it was reported that possibly as many as thirty Japanese ships had gathered off Hait'an; shortly it was reported that troops landed from these ships had occupied the Island; and by five o'clock, with the denial of the reported occupation of Hait'an, came a much more startling story: a landing in force had been begun near Futsing. By ten o'clock that evening it was said here that the Magistrate of that city had fled, and that the town itself was in flames. At midnight these reports were partially

denied

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

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denied; a landing had taken place, but not in force, and the Chinese troops were expected to be able to repulse it.

But at some time after midnight the long strain seemed to have become too much for the leaders of the Government, then in session, to bear: at one-thirty a half-hysterical voice over the telephone told this writer that Japanese troops were moving rapidly up the Amoy-Foochow road; that the speaker - the official responsible for the conduct of Provincial relations with foreigners - had just received urgent orders to be ready to leave the city within half-an-hour on a designated river boat which was already at the wharf; and that orders for the evacuation of the whole populace had already been given. He urged that the American Consulate, if it radioed at once, could have a gunboat at Sharp Peak in twelve hours at the outside; that by the afternoon of the following day a landing party of American sailors could be got up to Nant'ai. This, the speaker said, was what the British Consul was doing: that if I hoped to act in time I would have to act at once.\* Asked if the Government intended to burn the city, he said that it did not.

From that time until four-thirty in the morning the telephone rang constantly. Ordered to get the populace to leave the city, the police were going from door to door awaking people to tell them that if they

wanted

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\*It need hardly be stated that his proposals were not considered.

-8-

wanted to get out of town before the Japanese arrived they would have to be gone, and their possessions with them, before daybreak. Some of the police are said to have warned dwellers that if they did not leave they would be roasted alive in their houses, but police officials themselves deny that any authority for such a statement was ever given.

Between the issuance of the evacuation order and noon the next day well over 100,000 people left their homes, with what scanty belongings they could gather together on their backs or in bundles suspended on carrier-poles. Autos were preempted for Government use, and rickshaws were almost unobtainable. The staffs of all of the local branches of the Chinese banks left shortly after the departure, at about 2:30 a.m., of the first group of Government officials, and most other leading local Chinese left between then and morning, including, it is said, most responsible police officials. There were those who would not leave. The American-educated Magistrate of Minhou District - the "mayor" of Foochow and a friend of this office - stayed at his post, although the Chairman ordered him to go. At four in the morning he believed that a landing had been made, and that fighting was then in progress, but he felt that it was his duty to remain in Foochow. The Chairman himself also remained, perhaps because he kept his head, but possibly for quite a different reason.

The British Consul is stated to have radiced for a warship, and to have concentrated all British

women



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

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women and children willing to evacuate at the river-side compound of a British company, where they were to be put aboard a launch to take them to the naval vessel when it should have arrived. American residents, none of whom would have been willing to evacuate anyway, were simply told that they would be informed of any reliable news that became available, or warned of any actual threat to their safety, and advised to go back to bed. The police themselves did not leave, and in spite of the panic there was no looting.

The exodus from the city continued throughout the next morning, and until late afternoon, when definite information was received from Futsing that there had been no attack on that city, and that if there had been any landing it had been for foraging purposes only. Japanese naval craft had gathered off the tip of Lungt'ien Peninsula, and perhaps in considerable numbers, but apparently only to float a larger vessel which had run aground, or for some other reason unconnected with any planned attack. According to some reports a small party of sailors did put ashore, but returned almost at once to their ships. This led to a panic in near-by Futsing, where an evacuation of the city was also ordered on the night of October 31. Exaggerated reports of that action led to a similar step being taken here, and in Yenp'ing, in the interior of the Province, it was reported that Foochow had fallen and was in flames.

When

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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When it had become clear that the reported attack was a "false alarm", Foochow's populace began gradually to return their normal occupations; the shops re-opened, and the staffs of the several banks returned to the city. The Government did not appear however to welcome this trend, and issued repeated warnings that the people should not return to the city, which they stated would inevitably be occupied, and probably within a short time.

Loath as always to talk about the present hostilities, the Chairman of the Province made a speech warning the people against repeating baseless rumors. He complained that every movement that one made became the basis for some bizarre report, and was accepted as proof of some pre-conceived notion. On that same day there were probably more Fukienese who had heard the latest "news" than there were who read the Chairman's speech. The "news" was to the effect that on November 5 "Lo Tsung T'ung" - the President of the United States - would "come out". Naturally the war would then stop at once, they felt, and everybody would be happy.

Respectfully yours,

A true copy of  
the signed original  
[Signature]

Robert S. Ward  
American Consul

800  
RSM:HGY

Five copies to Department, sent under cover of despatch  
no. 81 of November 9, 1938.  
Copy to Embassy Chungking.

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

## TELEGRAM RECEIVED



FROM

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

MARDET TIENTSIN

December 20, 1938

Rec'd 12:15 a.m.

ACTION: NAVY DEPT

INFO: COMDR MARINE FORCES IN NORTH CHINA  
CINCAF  
FOURTH MARINES  
ALUSNA PEIPING

793.94  
0019. 380 Nippon casualties put aboard Red Cross  
boat past week Chinwangtao unconfirmed reports state  
considerable trouble in Manchuria and large movements  
northward taken place. 1330.

DDM

793.94/14515

F/FG

DEC 20 1938  
RECEIVED

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

## DOCUMENT FILE

## NOTE

SEE 611.9431/163 FOR Memorandum  
 State Department  
 FROM Far Eastern Affairs (Ballantine) DATED Nov. 29, 1938  
 TO NAME 1-1127 ...

REGARDING: Japanese desire for American cooperation in China.  
 Conversation with Shoji Arakawa and Harukage Ukwawa,  
 of the Japanese Financial Commission concerning -.

rr

793.94 / 14516

14516

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

DOCUMENT FILE

NOTE

SEE 893.6363/206 FOR Despatch #3471

FROM Japan ( Grew ) DATED Nov. 30, 1938.  
TO NAME 1-1127 \*\*\*

REGARDING:

Japanese participation in the oil business in China:  
Transmits memorandum of conversation between  
representatives of American and British Oil Companies  
and two prominent Japanese, regarding-.

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 893.5034/338 FOR #3504

FROM Japan ( Grew ) DATED Dec 3, 1938.  
 TO NAME 1-1127 \*\*\*

REGARDING: Japan's plans for the economic reconstruction and exploitation of China.

"Future Economic Exploitation of China - North China Development Company and Central China Promotion Company, Central Agencies": giving substance of an article, entitled-, published in the official weekly SHUHO, comments thereon.

793.94 / 14518

FRG.

14518 -

14519 -

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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 890.00/124 FOR Memorandum  
State Department  
Far Eastern Division  
FROM ( Jones ) DATED Dec 15, 1938.  
TO NAME 1-1127 \*\*\*

REGARDING: Situation in the Far East: developments of past week.

FRG.

793.94 / 14519

14519 -

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

5317

TELEGRAM RECEIVED

EG

This message must be closely paraphrased before being communicated to anyone. (C & Sp.Gray)

Tokyo

Dated December 20, 1938

Rec'd 6:30 p.m.

Secretary of State,  
 Washington.

795, December 20, 10 p.m.

My 787, December 16, 3 p.m., paragraph three,

Department's 422, December 16, 8 p.m.

One. The Minister for Foreign Affairs has not (repeat not) yet asked either my British colleague or me to call upon him.

Two. Following is a brief resume of the instructions received by Craigie from his Government dated December 17: (SPECIAL GRAY) (A) in view of the unofficial nature of the Foreign Minister's memorandum (of December 8) which was probably intended to test our reactions, no (repeat no) official representations should be made as coming from the British Government but an early opportunity should be taken to indicate that profound dissatisfaction has been caused in England by the Minister's expressed views. If these views were to become known to the public they would tend to increase the already mounting distrust and misgiving resulting from recent press articles outlining

Japanese

Division of  
 FAR EASTERN AFFAIRS  
 DEC 21 1938  
 Department of State

793.94/14520

F/FG

793.94/14504



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

5318

-2- #795, December 20, 10 p.m. from Tokyo

Japanese intentions; (B) British inability to agree to arbitrary and unilateral modification of existing treaties might well be stressed thus affording Arita opportunities to suggest revision by discussion if he desires to do so. The onus to make first proposals would thus be placed on Japan; (C) Lord Elibank, who is not a member of the Government, characterized Japanese actions in China as "economic aggression" and advocated certain measures of economic retaliation. We deplore practice of Japanese news agencies and press of divorcing from their context statements by public men in England in order to create ill-feeling in Japan. Any acts of economic retaliation which are advocated or contemplated arise from failure of Japanese to implement previous assurances. Such acts of retaliation do not furnish excuse for further Japanese acts of discrimination and exclusion. The impulse to advocate retaliatory measures would automatically disappear if causes of just complaints in China were removed and a definite forward step would have been taken in improving our mutual relations. British Government has up till now exercised great restraint in replying to questions in Parliament but will be unable indefinitely to restrain public opinion in view of growing mistrust. If any  
 gesture

7065

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

5319

-3- #795, December 20, 10 p.m. from Tokyo

gesture is called for Japan should surely take the  
(the?)  
initiative; (D) your arguments already used against  
necessity for monopolistic control in China might well  
be amplified. In time of war no power except China  
could prevent Japan's access to raw materials in that  
country. To assume the contrary would presuppose a  
defeated Japan whose communications with China were  
severed and in that event Japanese control and owner-  
ship would be of no avail. No argument therefore exists  
for departing from principle of equal opportunity. The  
only requirements are an independent, stable and well  
disposed China, free from domination by any power, and  
a powerful and undefeated Japan. Community interests  
of many powers in China should be welcomed as a  
stabilizing factor which would in no way obstruct  
Japanese aim to secure necessary raw materials. (End  
resume of Craigie's instructions) (END SPECIAL GRAY)

Three. Craigie today expressed to me the hope that  
I would cable to Washington the substance of his in-  
structions and seek authority to present the situation  
to Arita in a similar light.

Four. I told Craigie of the nature of my own in-  
structions and added that in my opinion the views of my  
Government

707  
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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

5320

-4- #795, December 20, 10 p.m. from Tokyo

Government had been fully and adequately presented and recorded and that in the light of the present attitude of the Japanese Government nothing was to be gained by continual debate over the same points and issues. I said I felt that the time had come when general representations or debate were futile and that while I would continue at every opportunity to maintain the position of my Government, as already fully expressed to the Japanese Government both orally and in writing, I felt that a dignified reserve was now desirable while awaiting the development of the many factors which are constantly at work in shaping the future situation.

Five. Craigie was impressed by this attitude but he nevertheless believes that the present situation is inviolable and while he is emphatically in favor of economic measures of pressure he feels that a "safety valve" would be afforded by a continuance of friendly debate with the Foreign Minister with regard to the practical application of the "new order". Craigie says that he has reason to believe that the army is interested only in securing permanent access to raw materials and that the pressure on the Government to exclude foreign trade in general from China springs from other, non  
military,

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

5321

-5- #795, December 20, 10 p.m. from Tokyo

military, elements. (I myself find it very difficult to accept this hypothesis.)

Six. I may add that Craigie in this and in previous conversations has been unable to suppress a latent eagerness to find a compromise settlement with the Japanese on the basis of (a) satisfying Japanese plans for the development of sources of raw material in China and (b) non-impairment of British and other foreign trading rights in China. His opinion, as reported in the second sentence of Paragraph Five, was fathered, I believe, more by this eagerness than by any conclusive indication of the Japanese Army's exclusive interest in raw materials. In the light of Craigie's thoughts on this point, I am apprehensive of embarking on discussions along the lines suggested in paragraph b of his instructions.

Seven. As a result of our talk today Craigie will, unless called for by Arita, postpone visiting the Minister until after the holidays. He expressed the hope, however, that I would inform him of any reply received from Washington to my present telegram in order that he might explain to his Government his own decisions.

GREW

PEG

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

EG

GRAY

FROM

Tokyo

Dated December 21, 1938

Rec'd 9:04 a.m.

Secretary of State,  
Washington.

798, December 21, 8 p.m.

My 795, December 20, 10 p.m.

The Minister for Foreign Affairs has asked me  
to come to see him on Monday, December 26, at 11  
a.m. "not to discuss any particular subject but  
just for a talk". The Minister has asked the British  
Ambassador to call upon him at 5 p.m.

GREW

HPD



793.94/14521

F/FG

707  
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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

5323 X  
**TELEGRAM RECEIVED**

JR

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

Chungking via N. R.

Dated December 20, 1938

Rec'd 6 a.m., 21st.

Secretary of State,  
Washington.

COPIES SENT TO

ON I. AND M. I.

in confidence

610, December 20, 11 a.m.

DEC 21 1938

Department of State

The Embassy learns from reliable sources that the

Generalissimo at a meeting convoked on December 18,  
issued a forceful rebuke to the civil officials of  
the National Government for what he termed their  
frivolous attitude, inefficiency, corruption and waste  
in the face of a grave national crisis and pointing  
to life being led by the soldiers in the field, strongly  
admonished his listeners to be diligent, honest, eschew  
all amusements, and in short to pull together with the  
army in the war. A statement worded in a similar vein  
and published in the local press, was issued by General  
Chen Cheng, close collaborator of Chiang Kai Shek  
on December 16.

It would appear that this move presages a "moral  
purge" of civil officialdom and a reemphasizing of the  
tenets of the new life movement.

Repeated to Peiping!

PECK

RGC:DDM

793.94/14522

F/A

193.94  
note  
893.00

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

CONFIDENTIAL

ConfidentialP A R A P H R A S E

A telegram (No. 610) of December 20, 1938, from the American Embassy at Chungking reads substantially as follows:

Apparently a reemphasis of the precepts of the new life movement and a moral purge of civil officials is foreshadowed by a rebuke which was recently administered to civil officials by General Chiang Kai-shek, and by a statement worded in a vein similar to this rebuke issued on December 16 by a close collaborator of Chiang's, General Chen Cheng. This statement was published in the Chungking newspapers. At a meeting held on December 18, the Generalissimo, according to information received by the Embassy from reliable sources, forcefully reproved the civil officials of the National Government for what he called their corruption, waste, frivolous attitude, and inefficiency in the face of a serious national crisis. Referring to the life which the soldiers in the field are leading, the Generalissimo exhorted his listeners to pull together with the army in the conflict and to be honest, to work hard and to abstain from amusements.

793.94/14522

793.94/14522

29C  
FEB 1976HAR  
FEB 1976

12-21

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

## TELEGRAM RECEIVED

ofo  
JR

FROM

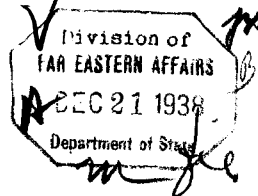
COMSOPAT

December 21, 1938

Rec'd 1:48 p.m.

ACTION: CINCAF  
OPNAV

INFO: COMSUBRON FIVE  
ASSTALUSNA SHANGHAI  
COMDESRON FIVE  
USS ASHEVILLE  
USS TULSA  
USS MARBLEHEAD  
FOURTH MARINES



793.94  
0021. No material change general situation Canton  
and vicinity quiet, Peace Maintenance Commission inaugurated  
on twentieth. 1830.

HPD

793.94/14523

F/FG



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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/124 FOR #-378 to Embassy

FROM Tsingtao (Sokobin) DATED Nov 5, 1938  
TO NAME 1-1127 \*\*\*

REGARDING: Sino-Japanese situation: developments of the month of Oct., 1938.

FRG.

793.94/14524

14524

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

79394 / Per  
8-12

2. Japan.

a. Japanese Campaign Against Guerrillas.

Outstanding Japanese activities during  
October appeared to be the speeding up of their cam-  
paign against guerrillas and bandits. Discounting  
the colored reports of Japanese successes in each  
and every conflict with the Chinese forces in Shantung,  
there...

- 9 -

there was good reason to believe that the Japanese were encountering success in their efforts to eradicate any Chinese forces which constituted a threat to the Japanese military in the province. In their campaign here the Japanese apparently came to the conclusion that it would be advantageous to enroll independent Chinese units which had been roaming through the province. The result has been that a few of the old type Chinese military leaders have joined hands with the Japanese; the Japanese appeared to be pursuing a policy of keeping these Chinese units independent of one another. Pingtu, an important city from which the western district of the Shantung Promontory can be controlled, was reoccupied by the Japanese and their Chinese mercenaries. South of the railway the Japanese and the mercenaries made some advances. It is not improbable that the Japanese received aid from Chinese villagers who have grown weary of the guerrilla and bandit activities. A missionary in Honan informed the consulate in October:

"Here it is quite peaceful now. The Boxers among themselves, so also the robbers, and then with each other, have skirmishes seemingly to get away the guns from each other.- A fight for power.-A real help to the Japanese."

b. Japanese Military Activity in Tsingtao.

Reference was made in the very opening sentence of the "General Summary" section of the September political report to the unusually large number...

- 10 -

number of Japanese troops in Tsingtao during September and to their activity (page 8). In retrospect it would appear that it was not at all unlikely that the division of Japanese troops reported to be in Tsingtao was in fact part of the force which captured Canton in October. There was an extraordinary movement of Japanese transports in and out of Tsingtao during the first part of the month and by the time the South China campaign was at its height very few Japanese troops were to be seen in Tsingtao. It was conjectured that the troops had been brought to Tsingtao to give them a month or more on Chinese soil in a salubrious climate and to await the advent of cooler weather in South China before launching them on their attack on Canton. While this is a matter of conjecture, the fact remains that the very large number of Japanese troops observed in Tsingtao in September had been removed from this city during October and before the capture of Canton.

c. Japan's Economic Gains.

In the economic sphere, an outstanding Japanese advance during the month was the inauguration of the Japan Air Transport Company's daily passenger and mail airplane service between Tsingtao and Japan and between Tsingtao and Tientsin and Peiping, while a service was also opened with a schedule calling for planes three times a week  
between...

- 11 -

between Tientsin and Tsinan, the capital of Shantung Province.\* It is understood that passengers for the time being are restricted to Japanese (and perhaps Chinese). For several years prior to the outbreak of hostilities efforts were made by the Japanese to obtain the right to include Tsingtao in a Japanese or Sino-Japanese air service;\*\* what was diplomatically difficult to achieve has now been attained through force of arms.

In the important coal mining industry of Shantung the Japanese likewise gained objectives of importance in their plan for economic domination of North China and the exploitation of its resources. The Shantung Coal Production and Sales Company, capitalized at \$3,000,000 commenced to function during October.\*\*\* Fifty one per cent of the capital of the new company will be controlled by the Lu Ta Mining Company, the Sino-Japanese enterprise which came into existence as a result of Article XXII of the Sino-Japanese Shantung Treaty of 1922 and which for practical purposes is a Japanese corporation; forty nine per cent of the capital will be subscribed by Japanese and Chinese mining companies. In brief, the new company will control production, transportation

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\*See Tsingtao's voluntary report of October 17, 1938, file no. 879.6, subject: Tsingtao To Be Included in Japan-China Air Service.

\*\*See Tsingtao's despatch no. 158, November 13, 1936, file no. 879.6, subject: Visit to Tsingtao of Chief of Staff of Japanese Forces in North China. Proposal to Extend Sino-Japanese Air Service to Tsingtao.

\*\*\*Report in preparation.

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

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transportation, distribution and prices. The Japanese interests have been quick to capitalize their control of Shantung and its railways for the purpose of exploiting the great coal resources of the province, resources which are of the greatest importance to Japan's industrial development and armament manufacture.

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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. Swatow/131 FOR Despatch#26

FROM Swatow ( Young ) DATED Nov. 5, 1938  
 TO NAME 1-1127 \*\*\*

REGARDING: Sino-Japanese relations: Report concerning-,  
 for month of October, 1938.

793.94/ 14525

14525-

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

(b) Relations with Japan.

793.94  
 The feeling of anxiety and tension apparent during the latter part of September was intensified from the start of October and reached a peak during the early morning hours of the 18th when Japanese naval vessels

-3-

commenced the shelling of the Ching Hai coast\* a few miles north-east of Swatow later shifting to the shore line of Hope Bay an equal distance from Swatow but in a south-easterly direction. Three times during the day Swatow was visited by a single Japanese seaplane which dropped two bombs (one of which failed to explode, and distributed leaflets of a general nature. The one exploding bomb did little damage.

During the evening of October 18th Japanese vessels engaged in desultory shelling of Hai Sun Bay with slight damage reported, and again on the following morning with similar results. In connection with the shelling it was reported that a half-hearted attempt was made to effect a landing at Tat Hau Luo (達濠) on an inlet of Hope Bay, but it was unsuccessful as were two other attempts made in the same vicinity. During the course of the day there were three air raids on Swatow, each time by a single Japanese plane and a total of three bombs were dropped causing slight damage to the railway station.

Throughout these two days\*\* the consulate received conflicting reports about the number and size of Japanese naval vessels stationed outside the harbor, but the best information is that there were ten transports and several cruisers, destroyers and motor trawlers, all of which left during the early morning of October 18th for the south. During the remainder



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

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of October there were frequent reports of Japanese vessels being seen outside Swatow Harbor but no further attempts to effect a landing.

Considering the Japanese activities in this district as being merely a diversion in connection with the real attack at Aias Bay, slight damage was done by bombs at Chaochowfu, Aityang and Haifung, but in Chaoyang one bomb is reported to have landed inside the city wall and to have killed six persons, wounded thirteen and destroyed ten houses.

Eastern Kwangtung was later visited by Japanese planes on October 25th and 26th when a total of fifteen bombs were dropped on Lufang Hsien (陸豐縣) causing no casualties and slight damage.

Kamox Island was given up by the Japanese at the time their forces left for the south to effect a landing at Aias Bay and since their departure the island has been used only from time to time to afford protection from rough weather for occasional ships.

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

## DOCUMENT FILE

### NOTE

SEE 846d.CO/48 FOR Despatch #162  
FROM Singapore (Patton) DATED Nov. 10, 1938  
TO \_\_\_\_\_ NAME \_\_\_\_\_ 1-1127 ...

#### REGARDING:

Sino-Japanese conflict. The Japanese occupation of Hankow has been expected for some time so that the large Chinese population of Malaya- was not discouraged by the withdrawal of Chiang Kai-shek's forces from that city. Anti-Japanese manifestations. Anti-Japanese boycott.

fp

793.34/ 14526

14526

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

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Sino-Japanese Conflict

793-94  
 The Japanese occupation of Hankow had been expected for some time so that the large Chinese population of Malaya was not greatly discouraged by the withdrawal of Chiang Kai-shek's forces from that city. On the other hand, the landing at Bias Bay and the lightninglike advance of the Japanese army upon Canton, which was taken without any serious opposition, came as a complete surprise and brought charges that the leaders in South China had sold out to the enemy. Notwithstanding the loss of Hankow and Canton, the local Chinese and their English sympathizers are staunch in the hope that Chinese resistance to the Japanese invaders will not disintegrate and that Japan will collapse economically before completing the conquest of China.

The British Europeans of Malaya are frankly disturbed by the Japanese invasion of South China, threatening as it does the economic existence of Hong Kong which has served as a vantage point for British commercial penetration into the hinterland. From a purely military angle, Hong Kong's value has greatly diminished with the rise of Japan to its present dominant position in the Far East. Consequently it is generally believed here that the British naval and military units at Hong Kong would be withdrawn to Singapore rather than sustain a serious Japanese attack, and that the maintenance of the military and naval station there has been primarily for the purpose of exerting some moral pressure upon Japan and of affording some moral support for China. A significant aspect of the Japanese move against Canton, which may be of grave import, is that it occurred immediately  
 after

-4-

after the Munich Agreement and thus may be indicative of Japanese belief that England will not seriously react against the territorial aspirations of Japan in the Far East.

The Straits Times in its editorial of October 13, 1938 foresees intervention in the Sino-Japanese crisis, once Chamberlain's policy has brought a general European settlement. It summarizes the situation in these terms:

"The obvious course for Great Britain is to complete her programme of naval rearmament, together with France, and to continue the efforts for a general European settlement begun by Mr. Chamberlain, for nothing is more certain than that if an understanding is reached between the four great European powers there will be prompt and effective intervention in China-- an intervention, moreover, backed by the tremendous military and economic power of the United States."

Anti-Japanese Manifestations

The vigorous attitude of the Government<sup>x</sup> has been so effective that practically no violent anti-Japanese demonstrations have been reported during the past two months.

Anti-Japanese Boycott

There has, however, been no relaxation of the boycott of Japanese goods by the Chinese residents and their sympathizers. Imports from Japan, during the first nine months of 1938, were valued at Straits \$9,421,000 (U.S.\$5,229,000) as compared with Straits \$34,485,000 (U.S.\$19,139,000) during the corresponding period of the previous year. Such imports during September 1938 amounted to Straits \$1,157,000 as compared with Straits \$3,246,000 during September 1937, the second month of the Sino-Japanese conflict.

Shipments

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<sup>x</sup> See page 3 of Bimonthly Political Report for July-August, 1938.

7088

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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. Foochow/129 FOR #82-

FROM Foochow (Ward) DATED Nov 10, 1938.  
TO NAME 1-1127 \*\*\*

REGARDING: Sino-Japanese conflict: developments of the month of Oct.,  
1938, in summary.

793.94 / 14527

FRG.

14527

7085

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

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B. Relations with other countries.

1. Japan.

79394  
(Page 3-7)

a. Gathering tension. Although September had been so quiet a month for northern Fukien that hope was beginning to grow here that this area would escape altogether from involvement in the hostilities, October opened ominously with the sudden departure of Chairman Ch'en I from Foochow on what, as will be noted below, was then a secret journey to Hankow or some other point in the interior of China. This circumstance, taken together with increasingly numerous and more persistent reports of Japanese naval concentrations off Taiwan and of efforts on the part of certain Japanese to secure the consent of the high command for the opening of the South China campaign, brought local officialdom out of its complacency with something of a jolt.

b. Destruction by fire of the Japanese Consulate General. What appears to have been the purely accidental burning, in the early hours of the morning of October 3, of the Japanese consular premises on Ts'ang Ch'ien Shan contributed its share to this tension, especially since, in radiocast reports from Japanese stations, this fire, which the whole Foochow fire brigade had attempted valiantly to put out before it should have gutted the consulate building, was not only described as being a deliberate anti-Japanese action, but was so reported as to make it seem that a large Japanese residential section

had

-4-

had been destroyed, and, in some of the accounts at least, the impression was even given that there were actually Japanese in residence in it at the time. Fukienese interpreted these reports as being a deliberate attempt to stir up feeling against Foochow, a city which the Japanese Navy is supposed to be loath to attack. Exaggerated accounts of the fire were therefore received here as a deliberate preliminary to an attack on this area.

c. Stricter conscription. A further unsettling circumstance was that of the gradual tightening of conscription regulations throughout northern Fukien, featured by house-to-house inspections to hunt down draft-dodgers and by the wholesale conscription of coolie-laborers.

d. Impact of the fall of Canton and Hankow. Although Foochow was thus being brought back rapidly enough to a realization of the danger of its situation, by far the sharpest blows to its morale were those wrought by the fall on October 21 of Canton and on October 26 of Hankow. The loss of the latter had been discounted for weeks, but the rapidity and ease with which the Japanese took the former left most Fukienese with a feeling of mingled bewilderment and disgust, and increased enormously the difficulties facing those members of the Government who had from the first been actively pledged to resistance against any attack on the Province.

e.

-5-

e. Celebration of Canton's "recapture".

On the same day on which Hankow fell, but before reports of the fact had reached Foochow, a spurious report (probably originating in the imagination of some unhappy Cantonese) alleging the recapture by Chinese troops of Canton gained currency in Foochow, and was repeated in an extra edition of the local paper. The news was greeted with more enthusiasm and was more widely celebrated than had been the victory at Taierchwang, and the subsequent disclosure of its falseness only tended to increase discouragement.

f. Rumored demands. Various reports of alleged Japanese demands then began to circulate, and it was commonly claimed that agents of the northern "puppet" regimes in Foochow had already selected a government for the city to be ready to take over control when an imminent Japanese attack materialized. It has of course been impossible to substantiate any of these or similar reports, but it is unlikely that they were altogether without basis in fact.

g. Removal of institutions ordered.

In a situation which seemed to be rapidly growing more critical, the Provincial Government held what it had evidently hoped would be a secret meeting on October 29 and thereafter issued orders, largely by word of mouth, to the heads of educational and other institutions and organizations in Foochow, warning them to begin an immediate removal to the interior. Although it is not clear that the Government specifically

informed



-6-

informed any of the individuals to whom this order was given that the Province had been directly threatened with invasion, some at least of them received that definite impression, and even before any reports of alleged Japanese landings were received, it was being said in Foochow that the Japanese intended to take action against the city in forty-eight hours.

h. Reports of a Japanese landing.

In the extreme tension which had by now gripped all Foochow the anxiously awaited reports of the much-feared Japanese landing appeared to spring up spontaneously. On the morning of October 31 it was reported that a landing in force had been made on Hait'an Island, and that the island itself had been occupied. By afternoon a telegraphic report from the magistrate on the island, stating that nothing at all had occurred there, checked further dissemination of that particular rumor, but it was soon replaced by a second one, according to which a landing had really been made at Fu sing. Accounts of several further landings then became current, and by evening the progress of the fighting which was supposed to be going on along the Foochow-Amoy Road was being reported in great detail.

1. Panic. As these false reports became more and more widespread and more generally accepted, fear and apprehension grew until Foochow was in the grip of a very real panic. Sometime after midnight the Government ordered the complete evacuation of the city and the withdrawal of its own members,

as

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

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as well as (apparently) of the military and police,  
and between midnight of October 31 and noon of the  
next day well over 100,000 people - according to  
some estimates 250,000 - fled the city before an attack  
which has at this writing not yet materialized.

709

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

793.94

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Chefoo/139 FOR #41 to Embassy

FROM Chefoo (Roberts) DATED Nov 12, 1938.  
TO \_\_\_\_\_ NAME \_\_\_\_\_ 1-1127 ...

REGARDING: Sino-Japanese situation: developments of the month of Oct., 1938

FRG.

793.94/14528

14528

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

B. Relations with Other Countries:

1. JAPAN:-

(a) Military Operations

The Japanese Naval forces continued to hold  
Weihaiwei, Chefoo, Ma-p'ing and Fushan during the  
month

79394  
(page 4-1)

1094

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

- 5 -

month of October without being able to extend their operations beyond the outposts of Fushan and Ku-p'ing.

In the movement of forces in and out of Chefoo it was observed that the Japanese Navy is making more use of the Chinese forces. Expeditions leaving Chefoo were composed of both Chinese and Japanese with the Chinese in the vanguard. Sentry posts at the passes leading out of Chefoo were in charge of the Chinese.

The capture of Fushan and Ku-p'ing appears to have brought about temporary relief from guerrilla attacks on Chefoo. The last attack took place on August 13, 1938.

On October 13, 1938, P'ing-tu in the Tsingtao Consular District was occupied by the Japanese using Chinese forces under the command of Chang Pu-yun. It was reported that 2,000 men under the Chinese leader came from Kaeli, the object of the expedition being to drive an old personal enemy Li Wen-li, former Chinese official now with the guerrillas at Haichiao on the Chiao River. The Japanese equipped invaders brought light field guns, machine guns and trench mortars.

The guerrilla forces about the Laichowfu-Tangchow region began concentrating for an attack on Chang Pu-yun and entrenched about ten miles north of P'ing-tu. Chang Pu-yun's forces under false colors of the 8th Route on October 17 encircled the entrenched guerrillas and came upon them from the direction of Laichowfu as friends. The ruse was not successful and according to reports from missionary sources the guerrilla forces were

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

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were victorious capturing guns and ammunition from the Chang Pu-yun forces.

Travellers from the interior reported on October 17th they saw large numbers of guerrillas moving from Tengchow and Kwanghsien towards Ping-tu to join the attack on Chang Pu-yun. One said he saw a thousand men on the road. They were armed and appeared to have ammunition. No information about the result of the engagements has been received at Chefoo.

During the early part of the month the Japanese Naval forces were active in bombing and shelling Lungkow, Kwanghsien and Tengchowfu by land and by sea. In one attack forty-three shells were fired on Lungkow by one of the Japanese gunboats. According to a Lungkow visitor there are fairly large numbers of mobile units seen along the coast. According to this informant the Chinese forces are under orders to retire to the hills and hinterland as the Japanese are believed to be planning large scale operations in this district. The plan is to keep clear of large Japanese detachments but to resume attacks as soon as the Japanese relax.

(b) Japanese Naval Commander

Rear Admiral H. Mehri of the Japanese Navy assumed command of the Japanese Naval forces operating in the Chefoo-Weihaiwei district. His flagship is the KUMA. The new commander expects to spend more time at Chefoo instead of at Weihaiwei.

(c) Curfew

Without any previous notice, Commander Salto,  
 Commanding

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

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Commanding the Japanese Naval Landing Party at Chefoo, modified the curfew and it now is from 12.00 midnight until 6.30 a.m. whereas the old curfew was 11.00 p.m. to 6.00 a.m. The Japanese Commander in his proclamation cited the fall of Hankow, the capture of Canton and improved conditions in Shantung as reasons for modifying the curfew restrictions.

7099

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

DOCUMENT FILE

NOTE

SEE 611.9431/164 FOR Memorandum

State Department  
FROM Far Eastern Affairs (Ballantine) DATED Dec. 1, 1938

TO \_\_\_\_\_ NAME \_\_\_\_\_ 1-1127 \*\*\*

REGARDING: Japanese are now engaged in the most serious military conflict in which they have ever taken part, that they are determined to crush the government of Chiang Kai-shek. Mr. Arakawa said that -, and that during the period of hostilities various restrictions upon trade incidental to the conduct of the hostilities have been made necessary. He felt sure that it was the intention of the Japanese Government to permit trade of all countries to be carried on without discrimination and on an equal footing.

rr

793.94 / 14529

14529 -



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

5324

## TELEGRAM RECEIVED

EDA

GRAY

FROM

Canton via N. R.

Dated December 20, 1938

Received 4:27 p.m. 21st

Secretary of State

Washington

87, December 20, 3 p.m.



On morning of December 20th a Canton Peace Maintenance Commission was installed under Japanese auspices at Canton in ceremony at Sun Yat Sen Memorial Hall with former Sun Yat Sen associates Peng Tung Yuan as chairman and Lu Chun Yu as Vice Chairman. About five thousand Chinese of poorer classes, many presumably assembled under Japanese direction, attending the meeting, where Japanese and "5 barred" flags were displayed and at which Japanese military, naval, consular and newly installed Chinese "commission" officials urged cooperation with new regime. Congratulatory telegrams from Japanese officials in Tokyo and members of Japanese sponsored regimes in Manchuria, Peiping and Nanking were read. The German Vice Consul attended formally attired, but, except for French Vice Consul who was present unofficially, no other consular officers attended.

Following inaugural ceremony there was a parade through Canton streets of Japanese army trucks carrying apathetic

lc

looking

793.94/14530

F/FG

010

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

5325

EDA - 2 - #87, December 20, 3 p.m. from CANTON

looking Chinese holding flags; there were armed Japanese  
guards in many of the trucks.

Recently an Imperial messenger arrived in Canton  
from Tokyo.

Repeated to Chungking and Peiping.

MYERS

RR

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

5328

## TELEGRAM RECEIVED

JR

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

Chungking via N. R.

Dated December 21, 1938

Rec'd 7:47 p.m.

Secretary of State,

Washington.

608, December 21, 9 a.m.

Further reference Department's No. 4, October 24,  
7 p.m., to Hong Kong and Embassy's 514, October 26,  
11 a.m.

The Embassy learns from Arthur Young that the  
following reasons are advanced in Chinese official  
circles for the ease with which the Japanese invasion of  
South China was accomplished:

One. The Chinese conviction that the Japanese would  
not strike at Canton for fear of international complications.

Two. The consequent despatch of the bulk of the  
regular Cantonese army to the north for participation in  
the defense of Hankow leaving the defense of Kwangtung  
to local militia.

Three. The surprise and speed with which the attack  
was executed.

Four. The completeness of Japanese preparations  
in which extremely strong artillery and aviation support  
played a leading part; and the ineptitude of the South

China

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O.N.L. AND M.I.D.  
in confidence  
DT

Division of  
EASTERN AFFAIRS  
DEC 22 1938  
Department of State

793.94/14531

F/FG

010

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

5327

-2- #608, December 21, 9 a.m., from Chungking via N. R.

China military leadership.

He stated there was positively no (repeat no) evidence of Chinese treachery. He added that following commencement of attack on Canton the Generalissimo transferred an unknown number of troops from the Hankow area to South China but that this move came too late to stem the invasion, although further Japanese advances into western and northern Kwantung were thereby prevented. However, this diversion of troops to the south was alleged to have hastened the fall of Hankow by two months.

PECK

RR:PEG

50104

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

A telegram (no. 608) of December 21, 1938, from the American Embassy at Chungking reads substantially as follows:

The Financial Adviser to the Chinese National Government, Mr. Arthur Young, has stated to the Embassy that there was positively no evidence of treachery on the part of the Chinese in connection with the conquest of south China by the Japanese and that after the attack on Canton began General Chiang Kai-shek sent troops (number not known) to south China from the Hankow area. Although this move prevented the Japanese from advancing farther into northern and western Kwangtung Province it came too late to check the invasion. It was alleged, however, that Hankow fell about two months earlier than it would otherwise have done as a result of this diversion of troops.

According to Young, reasons given in Chinese official circles for the ease with which the Japanese accomplished the invasion of south China are as follows: (a) the speed with which the attack was carried out and the surprise connected therewith; (b) the ineptitude of the south China military leaders and the completeness of preparations made by the Japanese in which very strong aviation and artillery support was quite prominent; (c) the conviction on the part of the Chinese that fear of international complications would deter the Japanese from striking at Canton; and (d) the despatch, as a result of this conviction, of the greater part of the regular Cantonese army to the north to take part in the defense of Hankow, leaving the local militia to defend Kwangtung Province.

793.94/14531  
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793.94/14531

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

*Copy sent to  
Treasury*

# TELEGRAM RECEIVED

REB



FROM PLAIN

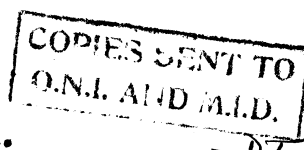
Shanghai via N. R.

Dated December 23, 1938

Rec'd 1:42 p. m.

Secretary of State,

Washington.



1493, December 23, 2 p. m.

In commenting editorially upon the Japanese Foreign Minister's latest statement regarding Japanese policy, the NORTH CHINA DAILY NEWS observed that "The Japanese Foreign Minister deceives himself if he believes for a moment that his latest statement concerning Japanese policy with regard to China carries any real conviction. His declaration consists of words rendered entirely meaningless by the facts which are all too well known, facts which eloquently deny the statements he makes". The paper continues "whatever may be the declared intention of the Japanese Government the facts show that they or their agents are bent upon a policy of definite exploitation of China, its people and its natural resources. Mr. Arita has signally failed to explain away any of the very real grievances which foreign neutrals have against his Government and his policy. He cannot hope for success in this direction until there has been a very decided change in Japanese behavior in China."

The

793.94/14532

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

REB

2-#1493, From Shanghai, Dec. 23, 2pm.

The SHANGHAI EVENING POST and MERCURY says "If Mr. Arita thinks that Britain and America recognize any right for a country other than China to dictate restrictions he deceives himself. Other powers have long recognized the right of China to have a free hand in governing herself and they have joined in treaties safeguarding such right -- treaties to which Japan has subscribed her signature."

The SHANGHAI TIMES, on the other hand, in referring to the statement asserts that "It is obviously the desire in Tokyo to remain on friendly terms with Washington and London but if any nations of the west are going to finance one side in this eastern quarrel against the other because of what they believe to be their own injury, it is as Mr. Arita said 'very dangerous' and might have far-reaching historic consequences". This paper asks "Can a policy of bolstering up a regime which has been driven out of East China best serve those interests without which such a show of protest is now being made."

Repeated to Chungking and Peiping, by mail to Tokyo.

GAUSS

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

**TELEGRAM RECEIVED**

5328

ML

This message must be  
closely paraphrased  
before being communicated  
to anyone. (br)

Chungking via N.R.  
FROM  
Dated December 24, 1938

Rec'd 6:30 p. m.

Secretary of State  
Washington

619, December 24, 3 p. m.

The Embassy is reliably informed that prior to coming  
to Chungking on or about December 10 the Generalissimo  
went to South China where he convoked a conference which  
was attended by over two hundred ranking officers and at  
which detailed plans were formulated for the defense of  
northern Kwangtung and of Kwangsi. Chang Fa Kwei was  
designated as Commander-in-Chief of the South China forces,  
with Yu Han Mou and Li Han Hun, newly appointed Kwangtung  
Provincial Government Chairman, as Vice Commanders. The  
South China forces are reported to comprise 28 regular  
divisions including six central, twelve Cantonese and ten  
Kwangsi, in addition to a formidable auxiliary force in  
the self defense corps. It is anticipated that no serious  
effort will be made to defend the coastal areas adjacent  
to ~~Pakhoi~~ <sup>Pakhoi</sup> and Kwangchowwan or even Nanning and this whole  
area is now being laid waste and the inhabitants required  
to evacuate in order to impede (?) Japanese military  
operations. However, it is expected that strong resistance  
will

793.94/14533

WB  
1/25/39



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

5329

ML -2- Chungking via N.R. Dec. 24, 1938 6:30 p.m. #619

will be offered if the Japanese endeavor to penetrate  
deeply into Kwangsi.

Repeated to Peiping for Tokyo.

(END SECTION ONE).

PECK

NPL:EDA

5330

# TELEGRAM RECEIVED

JR

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

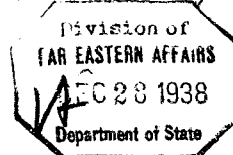
FROM Chungking via N. R.

Dated December 24, 1938

Rec'd 6:30 p.m.

Secretary of State,

Washington.



619, December 24, 3 p.m. (SECTION TWO)

Chiang Kai Shek left Chungking December 20 to investigate military conditions at Sian and other points in the northwest. It is reported that he will soon return to Chungking. In this connection it is learned that the Chinese will make no (repeat no) strong effort to hold their present Yellow River defences or Sian, although Hanchung in South Shensi will be defended by powerful forces the nucleus of which is said to be composed of eleven intact and well trained divisions under the command of General Hu Tsung Nan.

(END TWO)

PECK

EDA:WNC

4331

### TELEGRAM RECEIVED

JR

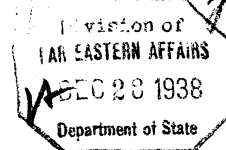
This telegram must be closely paraphrased before being communicated to anyone. (br)

Chungking via N. R.

FROM Dated December 24, 1938

Rec'd 2:30 p.m., 26th.

Secretary of State,  
Washington.



619, December 24, 3 p.m. (SECTION THREE).

It is generally believed in Chungking that the failure of the Japanese military to follow up the capture of Hankow with a concerted drive on Changsha and Hengyang, the center of Chinese resistance in Central China, constituted a repetition of the costly error in strategy committed during the fall of Nanking. The Embassy has received information from official and private sources which discloses that the Chinese military forces were badly demoralized during the fall of <sup>of</sup> Wuhan and Canton and that the Japanese would have met with negligible resistance if they had continued to advance beyond Yochow. However the present "breathing spell" has enabled the Generalissimo to reorganize his forces and it is generally believed that Japanese penetration into Western Hunan and Hupeh will meet with firm resistance.

To the failure of the Japanese to press the military advantages accruing from the fall of Wuhan and Canton (4) added another factor of vital import to China's resistance

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

5332

-2- #619, December 24, 3 p.m. (SECTION THREE) from Chungking.

resistance: namely the granting of American credits to  
China and reports of similar British action have been  
construed by the Chinese as indicating the commencement  
of action by those powers to prevent Japan from achieving  
its aims in the Far East, and it now seems clear that this  
conviction has immensely stimulated and stiffened the  
Chinese will for prolonged resistance.

(END OF MESSAGE)

PECK

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

b (CONFIDENTIAL)

STRICTLY CONFIDENTIAL

PARAPHRASE

A telegram (no. 619) of December 24, 1938, from the American Embassy at Chungking reads substantially as follows:

Official and private information has reached the Embassy to the effect that during the fall of Canton and Wuhan the Chinese troops were badly demoralized and that if the Japanese had continued their push beyond Yochow they would have encountered negligible resistance. The general belief in Chungking is that the Japanese military committed a repetition of the costly strategical error they made during the fall of Nanking by not following up the capture of Hankow with a concerted drive on the center of Chinese resistance in central China, Hengyang, and Changsha, and that firm resistance will be offered to Japanese advance into Hupeh and western Hunan, the present breathing spell having enabled Chiang Kai-shek to reorganize his forces.

The Chinese have interpreted the extension of American credits to China and reports of British action of a similar nature as indications that England and America have embarked upon action to prevent Japan from achieving its Far Eastern aims. It now appears clear that this conviction on the part of the Chinese has stiffened and tremendously stimulated their will for prolonged resistance and still another item of vital

import

793.94/14533

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

STRICTLY CONFIDENTIAL

-2-

import to this resistance has thus been added to the above-mentioned Japanese failure to press the military advantages which resulted from the surrender of Canton and Wuhan.

According to reliable information received by the Embassy detailed plans for the defense of Kwangsi and northern Kwangtung, including the appointment of Chang Fa-kwei as Commander in Chief and Li Han-hun (new Chairman of the Kwangtung Provincial Government) and Yu Han-mou as Vice Commanders of the south China forces, were drawn up at a recent south China conference. This conference was called by Chiang Kai-shek prior to his arrival at Chungking about December 10 and was attended by more than two hundred ranking officers. The expectation is that strong resistance will be offered to any Japanese attempt to penetrate deeply into Kwangsi but that no serious defense will be made of the areas along the coast near Kwangchowwan and Pakoi or even Nanning. The inhabitants of this entire area are now being required to evacuate and the area is being laid waste with a view to impeding Japanese military operations. It is reported that the south China forces include a self-defense force which is a formidable auxiliary to the twenty-eight regular divisions which comprise the forces

in

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

STRICTLY CONFIDENTIAL

-3-

in south China. Ten of these divisions are Kwangsi troops, six central, and twelve Cantonese.

It is reported that Chiang Kai-shek will soon return to Chungking from Sian and other places in the northwest where he went on December 20 for the purpose of investigating military conditions. It is said that eleven intact well-trained divisions commanded by General Hu Tsung-nan will form the nucleus of powerful forces which it is learned will defend Hanchung (a city in southern Shensi Province), although there will be no strong Chinese effort to hold Sian or the present Yellow River defenses.

793.94/14533

FE:Penfield:HES

FE  
RWW

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

ML

GRAY

FROM Tokyo

Dated December 26, 1938

Rec'd 10:30 a.m.

Secretary of State

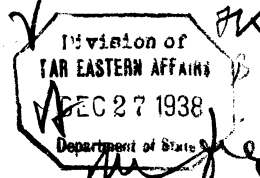
Washington

804, December 26, 8 p. m.

793.94  
My conversation today with the Minister for Foreign Affairs brought forth nothing (repeat nothing) of urgent importance. In view of the holiday my report will be cabled via Shanghai tomorrow morning.

GREW

EDA



793.94/14534

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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

793.94/14535—

See 693.001/459

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

793.94/14536

See 693.001/460

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

## TELEGRAM RECEIVED

### FROM

EDA  
This telegram was received  
in Navy cipher and must be  
closely paraphrased before  
being communicated to anyone

MARDET TIENTSIN

DECEMBER 27, 1938

Received 7 a.m.

ACTION NAVY DEPARTMENT

INFO COMMANDER MARINE FORCES NORTH CHINA  
CINCAF  
FOURTH MARINES  
ALUSNA PEIPING



0027. Four hundred fifty troops twelve field pieces  
complete with limbers tractors fourteen staff vehicles from  
direction Tientsin to transports Chinwangtao past seven days.  
0800.

DDM

793.94 / 14537

F/A

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

(Copy)

AIR MAIL.

AMERICAN CONSULATE, *in Confidence*

Taihoku, Taiwan, Japan, October 1, 1938.

CONFIDENTIAL.

The Honorable

Joseph C. Grew,

American Ambassador,

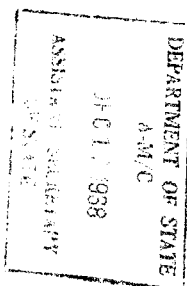
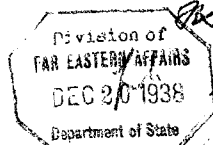
Tokyo, Japan.

Sir:

I have the honor to refer to my despatch of September 29 concerning the draft of mainly prominent Formosan Chinese, and to report that most of these men were released yesterday and the balance today and they have returned to their homes and business. The men have been forbidden to talk about their experience or instructions. However, it is pointed out that their release was made after the announcement of the result of the Munich conference had considerably diminished the possibility of immediate war in Europe in which Great Britain would of course have been so involved that she could have done little out here. It also took place after Foreign Minister Ugaki had resigned. Whether either or both of these events were related to this question is merely a matter of conjecture.

As a typical case and matter of interest a circular letter dated September 28 was received the following day from Standard Vacuum Oil Company,  
Taihoku

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14538

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

-2-

Taihoku stating that Mr. Dew, the manager of the branch, had been suddenly drafted into the army and was entering the First Regiment in Taihoku on September 29. The letter ended: "As a result of the foregoing circumstances, this office may not be able to function satisfactorily, and your guidance and assistance will be highly appreciated." This office has actually had but the barest of dealings with anyone in the local Standard Oil office, since the usual local authorities later reportedly through extensive questioning make it unpleasant for the person who has been here, or has been visited by any member of this office. Unfortunately this is a situation against which any protest would be worse than of no avail, and effectually cuts off what would otherwise be pleasant social contact with high class Formosan Chinese.

Respectfully yours,

Gerald Warner  
American Consul.

File No. 800  
GW/tkh

3 copies to Department.  
1 copy to Consulate General, Tokyo.

(November 21, 1938  
A true copy of the signed original sent to the American Consulate General, Tokyo by registered air mail on October 1, 1938 and never received. P.O. registry No. 570.)

WKG

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

(Copy)  
AIR MAIL.

AMERICAN CONSULATE,  
Taihoku, Taiwan, Japan, October 3, 1938.

CONFIDENTIAL.

The Honorable

Joseph C. Grew,  
American Ambassador,  
Tokyo, Japan.

Sir:

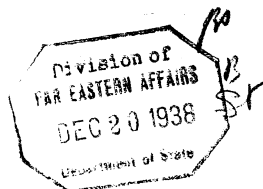
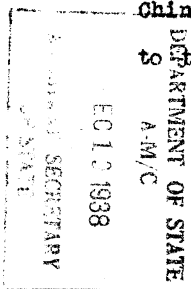
I have the honor to report the following

China Incident information mostly supplemental  
to that given in my despatch of October 1: <sup>14538</sup>

(1) No sooner had some of the drafted men  
arrived at First Regiment Headquarters on  
September 29 than they were told they  
could return home and would be subject to  
further call at any time but were given no  
indication of the reason for being called;  
others were not released until September  
30th and the following day; one group of  
perhaps fifty sailed on September 30 for  
an unannounced destination in China;  
another group is scheduled to sail similarly  
today.

(2) Release orders were given after the  
Munich conference was called but before its  
result was known so that the European  
situation was possibly not considered in  
this connection; but the release may have had  
some relation to the prior Ugaki resignation.

(3)



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712

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) All of the drafted employees of foreign firms have returned to their work in these firms; and all of the Japanese affected by this particular draft were released.

(4) The most likely reason for the draft appears to be that these men are to be used in negotiation and interpreter work in various Chinese centers where foreign and Japanese interests clash; it is of interest that men with a knowledge of French were included in the draft.

(5) Within the past few days numerous supplementary reserve service Japanese in Taiwan have been drafted for military service, and numerous Formosan Chinese for coolie transport work, and Takao sailings are heavy.

(6) A German freighter, reported in the press to be carrying a cargo of iron and steel direct for Hongkong, first put into Takao on the morning of September 30, and sailed for Hongkong at 6 A.M. on October 1, after the result of the Munich conference had removed the threat of war in Europe.

(7) Air activities continue quiet in Taihoku.

(8) Funeral services were held yesterday at First Regiment Headquarters for some 60 Japanese killed in action in China.

Respectfully yours,

Gerald Warner  
American Consul.

3 copies to Department.  
1 copy to Consulate General, Tokyo.  
File No. 800  
GW/tkh

(November 21, 1938

A true copy of the signed original sent to the American Consulate General, Tokyo by air mail on October 3, 1938 and never received.)

793.94/14837

OK

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

AMERICAN CONSULATE,

Taihoku, Taiwan, Japan, November 21, 1936.

CONFIDENTIAL.

The Honorable

Joseph C. Grew,

American Ambassador, Washington

Tokyo, Japan.

Sir:

I have the honor to report that with the exception

the observance of national spiritual mobilization week during the first part of November, there has been no event of importance so far this month in Taiwan connected with the China Incident.

There have been a number of military aircraft arriving in Taihoku of late. On November 9, ten single engined bombers arrived in formation from a southwesterly direction, and have maneuvered over the city several times since then. Several groups of twin-motored bombers have also arrived this month. Numerous fighting planes have also come in, and on November 19 a group of 11 fighting planes in formation arrived from a southerly direction.

As previously reported three listening posts were set up after the February 23 bombing of Taihoku, these being at scattered points near the roadside on the way to Tansui, between Taihoku and Hokuto. Two of these posts have been dismantled, and only the Hokuto post remains.

The athletic field near Maruyama Bridge, Taihoku, a vacant lot in Shirin on the way to Tansui, and several other handy lots in and around Taihoku, have recently been the scenes of the hasty construction of wooden barracks to house returned wounded soldiers. It would appear

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ON 11/21/36  
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DEC 23 1936

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L/R-G



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

-2-

appear that the Maruyama Athletic Field would take care of at least 1000 beds. It is understood that the Army gave a Yen 500 bonus to the workmen on the job, Yen 300 of which was for coolies, and Yen 200 for carpenters, to get them to speed up work. The carpenters felt they had been discriminated against and struck, this strike being put down with the usual police effectiveness.

In going through some old papers in the office safe I ran across the enclosed article which as far as I can determine was never mailed as apparently planned. Now that it can be safely transmitted, I am sending it along as a matter of interest. Perhaps needless to say, nothing of this sort appears in newspapers here these days.

Respectfully yours,

Gerald Warner  
American Consul.

Enclosure: as stated

3 copies to the Department  
1 copy to the Consulate General, Tokyo.

File No. 800  
GW/GW

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

ONE DIVISION OF TROOPS DESIRED FOR TAIWAN - SURROUNDING SITUATION REQUIRES IT.

Increased military armaments are now planned in Japan in view of the large armaments of Russia out of comparison with the Japanese army. In peace time Russia has 1,640,000 soldiers. Russian Oriental troops alone exceed 200,000, equaling Japanese forces of 250,000 in peace time. Such a large gap in forces cannot be overcome by any drilling or operations. In order to avoid a war it is absolutely necessary to increase forces in order to maintain balance. Increase of divisions is considered absolutely necessary in Japan.

Reviewing the army forces in Taiwan which is in the first line of southern defense, there are two infantry regiments in Taihoku and Tainan, one mountain artillery battalion, two heavy artillery battalions in Keelung and Mako, making only one mixed brigade. There is No. 8 Aviation Regiment in Heito, and there will be added a Bombers Regiment and an Anti-air-craft gun regiment. The land forces are merely for maintenance of peace and order within Taiwan. Taiwan forces have been reduced in the past. Up to 1904 there were in Taiwan three mixed brigades as well as an arsenal. In September 1907 the Regulations Governing Taiwan Garrison Mixed Brigade Headquarters was amended. After the amendment there were stationed two garrison headquarters up to 1925.

Now the strained international relations, defense equipment around Taiwan, enlargement of forces, and strategical changes destroy the sense of safety under the existing forces in Taiwan. Succeeding Commanders-in-Chief of Taiwan Forces referred to the insufficient military forces in Taiwan. Recently Great Britain doubled the troops in Singapore and strengthened anti-aircraft facilities and fortresses. The troops in Hong Kong which is separated from Taiwan by a strip of sea have been doubled. The balance of forces is being broken by the increased armaments. Judging from this situation an increase in Taiwan armaments is considered necessary. At least retoration of forces reduced in 1925 is generally expected. It is understood that enlargement of the forces to one division is desired. (Taiwan Nichi Nichi Shimpō April 16, 1936)

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

COPY

For the Department

American Consulate,  
Kobe, Japan,

November 23, 1938

CONFIDENTIAL

The Honorable

Joseph C. Grew,

American Ambassador,

Tokyo.

M

Grady

ONI MID

COPIES SENT TO  
ONI AND M.I.D.  
in confidence

Subject: Troop Movements.

DEPARTMENT OF STATE  
A-M/C  
DEC 10 1938  
ASSISTANT SECRETARY  
OF STATE  
Sir

Division of  
FAR EASTERN AFFAIRS  
DEC 20 1938  
Department of State

793.94/14541

I have the honor to report that during November there continued to be, with more or less regularity, movements of newly uniformed troops out by sea from Kobe. Occasionally soldiers have arrived by train and have gone on board transports at night but more frequently, particularly when soldiers from this general locality are on board, transports leave during the day. During the last few days newly uniformed troops have been more conspicuous in Kobe, although not so much in evidence as at the end of September, when the situation was tense in Europe and when Japan was getting ready for the South China campaign. It is difficult to say, however, whether departing troops are actually more numerous or whether they have merely appeared more frequently on the streets. Three transport ships which left yesterday were noticeably overcrowded.

Men

F/FG

14541

0 1 2

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

- 2 -

Men in Kobe called for the army do not always leave for China from Kobe. New soldiers from Kobe are frequently seen getting on trains that go westwards. At least some get off at Hiroshima and take transports for China from there. Ships returning from China with wounded soldiers also often go to Hiroshima. Many wounded are hospitalized at Hiroshima and, according to one confidential report, there is now a marked tendency to economize in the use of anaesthetics in operations at that place.

Ceremonies continue to be held upon the arrival of ships with ashes of soldiers from China. In the case of certain passenger ships, such as ships coming from Tsingtao to Kobe, it is inferred that at least some of the ashes are those of soldiers who have lost their lives in attacks by guerrillas.

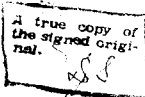
Respectfully yours,

L. H. Gourley  
American Consul

800

LHG/hjs

Original to the Ambassador.  
Three copies to the Department.  
One copy to the Consulate General, Tokyo.



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

For the Department

American Consulate,  
Kobe, Japan,

November 29, 1938

COPIES SENT TO  
O. L. D. M. D.  
in confidence

CONFIDENTIAL

79394

The Honorable

Joseph C. Grew,

American Ambassador,  
Tokyo.

Division of  
EASTERN AFFAIRS  
DEC 20 1938  
Department of State

DEPARTMENT OF STATE  
DEC 30 1938  
ASSISTANT SECRETARY  
OF STATE

Subject: Continued Troop Movements.

I have the honor to supplement my despatch of  
November 28, 1938 and to report, as of possible  
significance, that in spite of the departure of troops  
on transport ships in important numbers as recently as  
Sunday, November 27, newly uniformed marching troops  
are again conspicuous today on Kobe streets.

Respectfully yours,

L. H. Gourley  
American Consul

800

LRG/hjs

Original to Ambassador.  
Three copies to Department of State.  
Copy to Consulate General, Tokyo.

A true copy of  
the signed origi-  
nal.

793.94/14542

F/FG

JAN 4 1939  
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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

N. N. I. 96

ISSUED BY THE INTELLIGENCE DIVISION, OFFICE OF CHIEF OF  
NAVAL OPERATIONS, NAVY DEPARTMENT

## ATTACHE'S REPORT

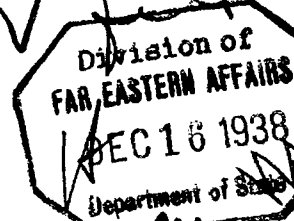
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From NA/Tokyo Date Nov. 18, 1938 Serial No. 230 File No. 706-300  
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Source of information Magazine "TAIHEI" November 1938 issue  
Subject Japan  
(Nation reported on) (Index title as per index sheet) (Subtitle)

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BRIEF.—(The review, indexing, and distribution of reports by O. N. I. will be greatly expedited if a brief summary of the contents is entered in this space. Mention leading geographical, personal, or political names, and the gist of the report.)

"Resident Japanese Abroad Playing Vital Role in China Incident"



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OSD letter, May 3, 1972  
By AG NARS Date 3/9/73

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Report No. 230  
Japan  
November 15, 1938

CONFIDENTIAL

"RESIDENT JAPANESE ABROAD PLAYING VITAL ROLE IN CHINA INCIDENT"

The following translation of an article by Harutsugu Iainara, M.P. of the Social Mass Party appearing in the November 1938 issue of the "TAIRIKU" magazine is submitted as of general interest.

"The number of Japanese settlers abroad in North and South America, the Hawaiian Islands, the South Seas region and other parts of the world, excluding Manchuria and China - is said to be about 350,000. What has been the attitude of these Japanese abroad in regard to the Sino-Japanese hostilities? Answers to this question were supplied to the present writer at a luncheon given by the Association of Overseas Japanese Newspapers, an organization consisting of managers of the Tokyo branch offices of first-class Japanese newspapers published abroad. All these managers once lived abroad for ten or twenty years.

"It appears that ever since the North China incident occurred Japanese abroad have been focussing their attention on its development as reported by the radio or in the newspapers. Their patriotic took the form of monetary contributions to their fatherland, of dispatching comfort bags to the soldiers at the front and parties to pay visits of sympathy to the sick and wounded and of many other acts equally worthy of praise. With no particular person taking the lead there arose among Japanese abroad who were prompted by love of country a movement to collect and contribute money for the defense of their fatherland. Thus a great deal of money was donated through various channels.

"A certain resident Japanese in Watsonville, California, called at the Japanese Consulate-General at San Francisco and anonymously donated \$1,000 (about ¥3,400). At Seattle a certain old Japanese couple who were living on a small fortune bequeathed by their master contributed \$100 through a local Japanese newspaper office. Japanese residents in a certain section of Honolulu raised a sum of ¥1,000 for the Army and Navy. The Kashi Mainichi Shimbun, Japanese newspaper published in Los Angeles collected by end of last April \$118,000 and has been sending contributions ever since. 500 resident Japanese in Rio de Janeiro raised about ¥2,400 and sent it to the military airplane funds of the Tokyo Asahi Shimbun. The four Japanese newspapers in Sao Paulo, Brazil, have remitted so far more than ¥300,000. Two Japanese newspapers in Hawaii collected by end of last June ¥1,300,000. A society of ex-soldiers in Sacramento raised about ¥4,000. In San Francisco a society of young men, all under 40 and temporarily exempt from military service who would have been called to the colors had they been in Japan, agreed to contribute one dollar each and keep it up until end of hostilities whenever that might be.

"Java is one of those places where resident Chinese have been and still are wielding considerable influence, so much so indeed that the Government of the Netherlands Indies does not seem to encourage the Japanese residents to start a patriotic movement. Notwithstanding such a situation, the Japanese residents there numbering some 7,000 have already made a contribution of the Japanese equivalent of about ¥20,000. Not to be behind, Japanese residents in Sumatra contributed something like ¥60,000 to the national defense funds.

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CONFIDENTIAL

"It is said that by the end of last March the War Office received some 50 million yen by way of contributions for military purposes, of which about 10 percent was contributed by Japanese residents in North America. When contributions from Hawaii and the South Seas are added, the total of the donations by Japanese abroad for national defense must have reached five million yen.

"Donations of silver-paper are by no means negligible. A certain Japanese residing in San Francisco called at the Japanese Consulate-General there towards the end of last March and made a donation of 3,200 km of silver-paper, with the request that it be sent to the War Office. This gentleman later received a letter of thanks from the then War Minister, General Sugiyama. The Japanese Photographers' League in Honolulu passed a resolution that all the silver paper used for wrapping films be sent to their fatherland. It is said that they have thus been sending about 2,000 km valued at ¥300 of silver paper, including that used for wrapping candies and cigarettes every month.

"Then there are donations of airplanes. At Davao, in the Philippine Islands, about 15,000 Japanese of both sexes are engaged in hemp cultivation. Despite the fact that a great blow was dealt them by the import prohibition measures adopted by the Japanese Departments of Finance and of Commerce and Industry, they succeeded in October last year in contributing an airplane christened 'Davao' to the Army. Then on 18 June this year a naval plane 'Davao' made its maiden flight at the Hansa airport and was then dispatched to the front. In Argentina about 4,000 Japanese settlers are engaged mostly in agriculture or commerce in and around Buenos Aires. These residents collected in November last year sufficient money to have an airplane constructed for the Japanese Navy and called it 'Argentina'. At Los Angeles a sum of ¥35,000 was collected from Japanese residents there and was spent on making an Army plane. No more than 23,000 Japanese are living in the Republic of Peru. These residents will soon contribute an airplane to the Japanese Navy. Resident Japanese in Sumatra are not contented with their contribution to the national defense funds, they are now bent on donating a patriotic plane 'Sumatra'.

"As for comfort bags to be sent to the soldiers and sailors at the front, as many as 30,000 bags are said to have already crossed the Pacific and the China Sea. Every mail ship coming into Yokohama or Kobe brings plenty of such bags all packed in solid wooden cases. Some time ago a Japanese newspaper issued in China reported that 500 of the comfort bags sent by the Japan Society in the state of Oregon, reached Taiyuan in Shansi Province. The Kinoo-ne Kai, a society of Japanese residents in Hawaii, gave up its annual picnic, made 1,000 comfort bags with the money thus saved and dispatched them to the Army and the Navy Offices. It is refreshing to note in this connection that there has been and still is an exchange of letters between the soldier at the front and second generation Japanese abroad who can just manage to scribble letters of sympathy and encouragement in the Japanese language in which they are taking lessons.

"Mention may be made of visits of sympathy paid by Japanese residents abroad. Mrs. Furusawa, wife of Dr. Furusawa, is a South California resident well known as a warm admirer of the Japanese Navy. When this lady visited these shores with four friends of hers for the purpose of consoling sick and wounded sailors, Admiral Yonai, the Navy Minister, went out of his way to give a luncheon party in their honor. A considerable number of Japanese residents in Hawaii have visited their fatherland with a view to consoling the sick and the wounded. Every month witnesses one or two such parties. These parties do not forget to bring with them monetary contributions and comfort bags. An example will suffice. A party of 30 dressmakers in Honolulu that came to inquire after the sick and wounded brought with them 1,000 comfort bags and ¥5,420 in cash to be given to the national defense funds.

"In addition to contributions of money and silver paper and airplanes, Japanese abroad have special sympathy with needy families of soldiers now at the front, if not killed in battle. They have already remitted a large amount of money to such families through the village or town offices of their native places. A few instances may be cited as typical of the thousands of similar cases.



Report No. 230

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CONFIDENTIAL

"Several score Japanese settlers in Maui, Hawaiian Islands, sent a sum of ¥567.36 to their native village in Yamaguchi Prefecture to be distributed among needy families of soldiers. Some 60 natives of Fukuoka Prefecture now residing in Honolulu sent ¥2,200, which was distributed ¥37 each among the needy families of the district. Hiroshima folks resident in Maui collected ¥2,594.95 to the governor of Hiroshima Prefecture for distribution. A certain village in Yamaguchi Prefecture is said to have received thus far a total of ¥10,000 from village folks living abroad.

"Then, there is propaganda work conducted by Japanese abroad for their fatherland. With all due deference to the excellent work done in this respect by the Foreign Office, it must be admitted that Foreign Office officials stationed abroad cannot possibly cope, without some aid from outside, with the manifold task they are up against. What Japanese abroad do in their clubs and cocktail parties therefore goes a long way towards helping Japan's propaganda campaign.

"It is said of Chinese abroad that at the time of the Manchurian incident they sent all the money they could collect to their fatherland, but that in the present conflict they are spending practically all the money collected on anti-Japanese propaganda work instead of remitting it home. Chinese residents in North America collected by the end of last March something like \$1,750,000 or about six million yen. This they expended on an anti-Japanese propaganda campaign through films, radio, newspaper and magazine articles and by many other effective methods. They know the psychology of the American people, and moreover for propaganda they have a genius. This did not fail to rouse Japanese residents to action. Everywhere they promptly set up an emergency-time committee for raising funds. Thus the New York committee succeeded in collecting \$100,000, followed by the San Francisco committee with \$50,000, Los Angeles with \$5,000 and Seattle with \$2,500. All this, however, is as nothing compared with the funds raised by Chinese abroad. But it was none the less enough to start their campaign. They made full use of each and every radio station available, thus giving frequent five to ten minute talks. Also, they went out to primary and secondary schools to give lectures to American student audiences. They also delivered lectures at Chambers of Commerce. Constant use was made of magazines and newspapers. Cocktail parties were given at various clubs. Thus no stones were left unturned to explain the causes of the present hostilities and the true intentions of Japan.

"Activities of Japanese abroad do not end there. They have made gallant efforts to subscribe to patriotic loans to the best of their means. Some time ago a certain Japanese abroad sent to Mr. Matsuoka, one of the directors of the Osaka Mainichi, a sum of ¥503 asking him to be good enough to buy a bond to the value of ¥500 and spend the balance on the necessary postage for sending it.

"The entire property of Japanese abroad, especially of those living in Hawaii and North America, is estimated roughly at ¥1,300 million. It is expected that, if need be, about half of this amount may be converted into patriotic loans. A general mobilization of the financial power of Japanese abroad seems to be more tangible than a perhaps, when the destiny of the Japanese Empire is at stake."

The following item is quoted from Domei of 7 November:

"Japanese delegates, representing various organizations throughout Hawaii at a convention at Hilo last night pledged to support a campaign to purchase ¥1,000,000 worth of Japanese patriotic bonds with a view to supporting the Japanese campaign in China. A committee to collect funds will start immediately."

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

# CHINA INFORMATION SERVICE

HELEN M. LOOMIS, SECRETARY

945 PENNSYLVANIA AVENUE, NORTHWEST - WASHINGTON, D. C.

ISSUE SIXTEEN  
December 20, 1938.

CHRISTMAS GREETINGS FROM THE CHINA INFORMATION SERVICE  
ARE AN EXPRESSION OF THE HOPE THAT WE MAY ALL WORK  
TOGETHER TO BRING "PEACE ON EARTH, GOODWILL TO MEN"  
IN CHINA

## America's Doorstep

Is it nothing to us, America,  
That war in ugly guise  
Is thrust by an aggressive foe  
From water, land and skies  
Upon a people unprepared  
For this grim enterprise?

Have we no care, America,  
That a nation starves for food,  
That women bear unwanted sons,  
Homeless, in bitter mood,  
That aliens bomb proud cities  
To devastate, denude?

America, is it avarice  
That urges the sale of oil  
And other tools the war-gods use  
In sanguinary toil?  
O sweep your doorstep clear today  
Of war's polluted spoil!  
-Harriett Lois George.

## I N D E X

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The China Information Service is supported by voluntary contributions. \$1.00 a quarter or \$4.00 a year is suggested. If you have not already done so, please make your contribution. Also send us names of interested people.

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793.94/14544

JAN 26 1939

F/FG

The following statement was received on December 16. It was prepared by a Christian educator in China:

CHINA'S GREATEST DANGER

One thing and one thing only can defeat China in her present struggle for existence. That fate, if it comes, will be forced upon her not by Japanese arms or by her own weakness but by the persistent persuasion of western governments, notably Britain and the United States.

I.

The main facts in the Far Eastern struggle are now fairly well agreed by all impartial observers.

1. Japan<sup>1</sup> prosecuting an unprovoked and unjustified war of aggression, The reasons given to the world, and widely believed by the Japanese people, are upon careful examination discovered without exception to be refuted by the facts. Those reasons are that Japan requires additional territories for economic development and for surplus population; that she must protect China from Communism and European and American exploitation; that her national mission is to release the peoples of the Orient from servitude to western imperialism and lead them in the realization of their own destiny. The facts are that Japan has hardly made a beginning in economic exploitation of the territories already seized in Korea, Formosa and Manchuria; that she has succeeded in persuading only an insignificant number of her home-loving people to migrate to these sparsely settled territories; that the only possible outcome of her present aggression, as is already evident, will be to place China in even greater economic dependence upon the West and to drive her into closer relations with Soviet Russia. As for Japan's aspirations as emancipator of the Oriental peoples, the devastating--and definitive--refutation of that claim is to be found in the attitude of these peoples themselves; there is not a single one of them from Siberia to Malaysia, however much they may resent western domination and long for the day of national independence, which does not contemplate one possibility with far greater dread -- the possibility of Japanese rule.

Japan's aggression has aroused a universal condemnation by the free peoples of the world which is without parallel in history. That judgment has been officially voiced in behalf of the nations of the world repeatedly through the counsels of the League of Nations.

2. Japan is conducting her aggression with a cruelty and barbarism without precedent in modern times. The outrages in Nanking and Shanghai were not exceptional incidents provoked by loosed passions after a nerve-racking campaign; in less extreme concentration, they represent the day-by-day conduct of Japanese troops throughout occupied territory. In larger cities, soldiers are held fairly well in check and there is every evidence of orderly behavior. But, in communities remote from foreign observation, no man's property or woman's honor is safe from day to day. Torture of diabolical ingenuity is not a measure used sparingly to force secrets from those suspected of sedition; it is the common hour-by-hour method of Japanese police and military throughout the occupied territory to extract confessions from absolutely innocent people. These are not exaggerated propaganda built up from third and fourth hand rumors. They are statements of fact based on first-hand day-by-day observations of the most experienced and responsible Christian educators and missionaries in North China.

<sup>1</sup> - Throughout this paper, "Japan" refers always to the Japanese Government and its policy, never to the people of Japan.

Nor are these measures the temporary expedients of an army in the early and difficult period of military occupation. Far more serious, they are methods regularly employed from month to month and year to year in their administration of a subject people. They come with bitter shock to the peoples of North China; they are the familiar fate of the peoples of Korea and Manchuria. There is no great variation in Japanese methodology--intimidation of the whole population through ruthless, and often groundless, arrest, conviction and imprisonment; extermination by any necessary means of every vestige of free and progressive, not nationalistic or revolutionary thought, feeling and loyalty; elimination of all institutions of learning above grammar school rank; employment for these ends of mental intimidation, imprisonment and torture upon any one suspected of harboring liberal (not revolutionary or nationalistic) thoughts. One must look to Korea, now for twenty-eight years under Japanese rule, or to Manchuria, under Japanese dominance for six years, for a foretaste of the fate awaiting North China if Japan retains control.

3. China has offered a resistance which has amazed the military experts of all nations, not least her own. Japan which fully expected to conclude her conquests after a few weeks of hard fighting, and so told her peoples, finds herself involved in a struggle which is taxing her strength to the limit and becomes more difficult with every passing week. Furthermore, the position of the Chinese forces becomes steadily more favorable, that of Japan steadily more precarious. China has surrendered Hankow. After that, there remains little else of value within possible reach of Japan's forces. After that, there is little which Japan will dare attempt to take. China's guerilla campaign becomes more skilled week by week and more dangerous to Japan with each mile of further advance inland. Meantime, China has today supplies fully adequate for a year's campaign; there is said to be evidence that Japan is running much closer to the limit of her *materia bellica*.

Much more important than unexpectedly effective military resistance, China has been reborn as a nation. All factions and elements of her people are united in a fashion without precedent in her history. And theirs is a unity not of desperation but of confidence. Behind the facade of brutal aggression, the inner psychology of Japan is one of apprehension, uncertainty and fear. But the people of China are steeled by a resolution which is fully prepared for every sacrifice, and fired by a quiet unanimous certainty which is indomitable. One of the most significant weathervanes is that there is hardly a competent impartial foreign observer--military, diplomatic, journalist, missionary; within Japanese territory or behind the Chinese lines -- who questions China's ultimate success IF she is uncoerced in her determination to fight on to victory.

4. Japan has not made a beginning at subduing the territories in North China she is supposed to hold. She controls the larger cities and the railroad lines, and beyond that almost nothing. Even the railroads are hers only by daylight. Almost nightly, the Chinwangtao-Tientsin line is broken, not by Chinese bandits as the Japanese report, but by organized forays of the Chinese Eight Army. That line lies at the Eastern limits of "Japanese territory" within a few miles of the sea. Large cities deep within "Japanese territory" are in the hands of Japanese soldiers even in broad daylight. And this is at the heart of the country which has been fully under Japanese subjugation for more than a year, hundreds of miles behind the "front-lines". Important leaders of the Chinese government and army come and go within the Japanese lines and in and out of Peking and Tientsin almost at will. In one eastern province of some twenty-five districts, sixteen are fully under government by the Chinese authorities. Meanwhile, apart from the villages where Japanese troops are quartered, life for the Chinese people goes on almost as usual. One is astounded at how little impressions Japanese occupation has made, even in the cities, after almost a year.

1 3

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

CHINA INFORMATION SERVICE, Issue No. 16, December 20, 1938.

Page 3.

The truth is Japan cannot conquer North China as long as hostilities continue. As long as China resists, she must keep every available man at the front. And every energy must be concentrated there. The effective policing of a single province like Hopei would require close to a million men. But Hopei is one of six or eight provinces marked for complete subjugation.

But, let a truce be forced on China and China's defensive struggle cease, and at once Japan will be released from her terrific military expenditures; more than a million men will be freed for productive work at home or, many of them, for the "pacification of North China"; and Japan is at liberty to turn the whole weight of her energies upon the subjugation of North China. Then, indeed, the conquest of China will really commence. Only those who have witnessed at first hand the work of similar "pacification" in Korea and Manchuria and who realize the greater animus toward the Chinese for their sterner resistance can forvision the outcome.

## II.

Beyond the surrender of Hankow, there is little China can lose which Japan can dare to attempt. Japan, already more deeply embroiled than she bargained for, will be only too ready to welcome "peace" on the most favorable terms she can secure.

Then, it is only too obvious what will follow. The Western Powers desire peace in the Far East. Their already seriously injured commercial interests are imperilled by continued fighting and uncertainty. They will bring the strongest possible pressure to bear upon the Chinese Government to make peace on the most favorable terms procurable, strengthening their persuasion with exhortations toward peace and more or less indefinite hints of financial assistance for Chinese rehabilitation. The leading influence may well be exerted by the present British Government with its fixed policy of "peace at any price". Britain may well be supported by the present American Administration with its general desire for peace everywhere and its policy of moral admonition without responsibility. And all lovers of peace, especially the churches, will speed to add their persuasion, preferring any peace to continue conflict. China, if she hesitates, will then be placed in the position of blocking a peace which all the world desires. To the other powerful persuasions will be added the threat of moral isolation.

Such a peace would be the worst possible outcome, for China and for the ultimate peace and justice of the world. A Christian must think deeply before favoring a continuation of War. In the present instance, that is the lesser of two terrible evils. For any nation, there is a greater evil than the sufferings and tragedies of war; that evil is--subjugation by Japan. For the world, there is a higher value than peace; that value is justice for China.

The interests of Japan demand an early peace on as nearly as possible the status quo. The immediate interests of the Western Powers, especially their commercial interests, favor the earliest possible peace. THE INTERESTS OF CHINA REQUIRE A CONTINUATION OF RESISTANCE UNTIL JAPAN SHALL HAVE BEEN DRIVEN FROM HER TERRITORY. THE LONGER INTERESTS OF HUMANITY DEMAND THAT CHINA SHALL BE FREE TO CONTINUE HER STRUGGLE FOR EXISTENCE.

CANADIAN WOMEN HALT SCRAP IRON SHIPMENTS TO JAPAN

Horried that their own community should be supplying raw war materials to Japan, a Citizens' Committee of Nanaimo, British Columbia, took direct action to halt a shipment of 500 tons of scrap iron destined for Japanese munitions factories.

All through the bitterly cold days and nights of that Canadian city, the group of women and girls maintained a 24-hour vigil over the adirin scrap iron dump at Five Acre Lots, on the outskirts of their city. Local truck drivers refused to handle the scrapiron and an attempt was made by the exporter, Meyer Frank, representative of the C.T.Takahashi Company of Seattle, to employ truckmen from Vancouver.

The Vancouver drivers led by D. E. Wallace were met by 25 determined women carrying banners and slogans, and singing "O Canada" and "The Maple Leaf Forever" and calling upon them to refuse the "blood money" they were to receive for the job.

So forceful was the committee's work that the Nanaimo City Council by unanimous vote refused to grant a license to the Vancouver trucks. Next the Provincial Government refused to grant highway licenses to cross a stretch of government highway only 100 yards long between the yard and the Nanaimo city limits. The truckers tried to transport the iron by hand and wheelbarrow over the 100 yard section, but city police stopped them. As a consequence of this concerted action the shipment missed the vessel that was to transport the scrap iron from Vancouver Kobe.

The Japanese representative threatened to boycott the port of Nanaimo in all future orders for Japan, which includes orders for millions of feet of logs and lumber -- 18,000,000 feet were due to be shipped next week.

Future trade of this kind with Japan, Frank declared, would be placed through Columbia River cities and other ports in the United States where the people do not protest against shipping war supplies to Japan.

Undeterred by threats of reprisals, the Nanaimo Citizens' Committee, Nanaimo City Council and Provincial Government refused to budge from their position.

Support came from the great port of Vancouver, B. C., where the Women's Christian Temperance Union staged a public protest meeting in the First Baptist Church and drafted plans for picketing of scrap iron and other war material shipments to Japan.

A resolution was passed at the meeting attended by representatives of the W.C.T.U., Women's New Era League, League of Nations Society, Canadian League for Peace and Democracy, Progressive Women's Federation and the Vancouver General Ministerial Association, condemning the Dominion Government for allowing "raw materials suitable for war munitions" to be shipped to "aggressor nations".

The W.C.T.U. resolution, which was later passed by other organizations follows:

"Whereas we in Canada profit both financially and commercially by war through the increased exportation of war materials:

"Resolved; that we register our strong disapproval to the Canadian Government, of the sale of raw materials for the purpose of munitions manufacture. Especially, at this time, do we reiterate our demand that Canada cease helping to arm Japan, and thus dissociate our country from the barbarous bombing and destruction of life in China by Japan."

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

CHINA INFORMATION SERVICE, Issue No. 16, December 20, 1938.

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## CHINA FIGHTS FOR DEMOCRACY

BY MELVYN DOUGLAS  
(A leading motion picture actor)

CHINA WANTS DEMOCRACY. Her people want the freedom and security that America has won. China's enemy is attempting to keep her from advancing.

The land of Confucius and the Great Sages has slumbered, while Japan has driven daggers into her. Now her hundreds of millions of people are awakening, and the Japanese are afraid.

Japan's 90 millions cannot subdue a united and modern China. The Mikado cannot rule the world, if a thriving China stands in her path. The answer for Japan is death and narcotics for China.

China has turned to the United States. We have become traditional friends. Thousands of Chinese have been educated here for work in their country. Americans have built hundreds of colleges and schools in China.

Trade between the United States and China has prospered under the famous "Open Door" policy we instituted. Japan wants that trade with China, because she knows it is bringing Western ideas and aspirations to her enemy.

Japan wants to wreck China by closing the "Open Door" and excluding American and Western progress. She wants China to consume Japanese goods, including the opium she grows in Manchuria.

Japan promised the world an "Open Door" for Manchuria, but she has defied any nation to attempt entrance. Today Japan is threatening the "Open Door" in China itself.

The United States has \$200,000,000 invested in China. Japan means to take over our interests without indemnity, just as she did in Manchuria.

Japan means to close all the American maintained colleges and missionary schools in China, just as she did in Manchuria.

It is the United States that makes all this possible. By simply refusing to pay the bill for Japan's mad career of imperialism, we can help China, checkmate Japan, and protect our own interests.

Why do we knife our friend China by arming her enemy, Japan?

CHINA MISCELLANEA

WASHINGTON -- American toy manufacturers and workers get a break. Less than five per cent of the toys sold in America this year will be of foreign manufacture, due largely to store owners' fears of boycott against goods marked "Made in Japan" -- the bloodiest trademark in history. Toy imports from Japan during first ten months of 1938 totalled \$800,000, only about half that of last year.

\* \* \*

NEW YORK CITY -- The "Buy America Institute, Inc.," 27 William Street, New York City, has inaugurated a nation-wide campaign to "put American back to work, reinstate her idle, rebuild her prosperity". The Institute believes we should buy American manufactures instead of Japanese and German products.

\* \* \*

WASHINGTON -- Japan again is the biggest buyer of American scrap iron. Department of Commerce reports show Japan bought 436,660 tons of scrap iron and steel in the first ten months of 1938 as compared with 817,338 tons the corresponding period last year.

\* \* \*

CHUNGKING -- More than 10,000,000 Chinese refugees have fled the territory under Japanese occupation. Total destitute and homeless, 30,000,000. The Chinese Committee for Refugee Relief has given aid to 3,500,000 in eight districts near the battlefronts.

\* \* \*

NEW YORK CITY -- Dorothy Kilgallen, writing her column, "The Voice of Broadway" in the N. Y. Journal-American, says: "Pan-American Airways, after an intensive investigation into the mysterious disappearance of the Hawaiian Clipper over the Pacific last June, have concluded that the ship and its passengers met with foul play. Their theory reads like a fiction story -- but it is what is being told to the families of the crew. Officials of the air company believe the plane was captured by the Japanese because of the presence aboard of a Chinese patriot and a large shipment of gold for China. No trace of the ship was ever found, there were no storms in that area at the time, and the patch of "oil" reported on the ocean surface at the spot where the ship was last heard from proved to be plain citron-ela...."

\* \* \*

NEW YORK CITY -- A series of remarkable stories about the life of the Chinese people and guerillas far behind the Japanese lines in Hopei, Shansi and Shantung provinces, written by an American correspondent who made an extensive tour throughout those areas from Peiping, has appeared in member newspapers of the Associated Press which permits reproduction of such material only by member papers. If your local newspaper subscribes to the A.P. but has not printed these stories, the first of which appeared in November under a Sian dateline, a request to the editor may get the stories into type.

\* \* \*



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CHUNGKING -- Father Jacquinet, noted French Jesuit, who succeeded in establishing refugee zones in Shanghai and Hankow, arrives in Chungking.

\* \* \*

SHANGHAI -- Fifty-six Thousand bushels of crushed wheat, contributed by the American Red Cross for Chinese refugee relief, arrives in Shanghai on Dec. 18. None of this wheat will be sent to Free China.

\* \* \*

HONGKONG -- Dr. C. T. Wang, former Ambassador to the United States is returning here to resume his previous position as president of the Liu Ho Kou Iron Works.

\* \* \*

HANOI -- China National Aviation Corporation, affiliated with Pan-American Airways, soon opens passenger and airmail service between Chungking, Kunming and other Southwest cities with the outside world through Hanoi, French Indo-China. C.N.A.C. also will cooperate in establishing air service between Chengtu, Szechuen, and Tihua, Sinkiang, to aid in maintaining communication with Soviet Russia. C.N.A.C. operated its service between Hankow and Chungking until few hours before Japanese army arrival.

\* \* \*

SHANGHAI -- Major-General Chiang Chin-Kuo, eldest son of General Chiang Kai-shek and Vice-Director of the Kiangsi Peace Preservation Corps, appeals for food and clothing for troops in his command who have been defending Lushan, Kiangsi, for past three months, throwing back several Japanese attacks.

\* \* \*

WASHINGTON -- Captain Evans F. Carlson, Marine Intelligence Officer who has traveled around more war fronts and witnessed more actual battles than any other foreigner in China, is arriving in San Francisco on the U. S. Transport Chaumont in late December. Criticized because of his frank views and outspoken convictions regarding the two opposing armies, Captain Carlson resigned from the Marine Corps to devote his time to writing and lecturing. Other passengers on the Chaumont are Col. Charles F. B. Price and Mrs. Price.

\* \* \*

HANKOW -- H. S. "Newsreel" Wong, well-known Chinese camera man of M-G-M staff, who made the famous shot of the Chinese baby crying amid the ruins of the South Station in Shanghai, was injured on the head by bomb fragments as he ferried his equipment across the rivers at Hankow a few hours before the Japanese soldiers arrived. He arrived alive on the outer side of the river but has been missing since then.

\* \* \*

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SHANGHAI -- Mr. Leo J. Miller, Secretary of the American Club in Shanghai, and his wife, Mrs. Miller, Secretary to Dr. George Sellett, are arriving in the United States for leaves of absence.

\* \* \*

SHANGHAI -- Eighteen foreign correspondents were given free airplane rides by the Japanese Army from Hankow to Shanghai. Only three correspondents who were in Hankow when the city was occupied by the Japanese, remained in that city. They are Miss Doris Rubens, United Press; R. Graham-Barrow, Reuters; and A. Vallet, Tass.

#### JEWELS OF CONSISTENCY

TOKYO, Nov. 29-(AP) -- Kensuke Horinouchi, new Japanese Ambassador to America, said today on the eve of his departure for Washington that the "new order" in Eastern Asia holds "no threat for American interests either in the present or the future".

HAMBURG, Germany, Dec. 1, (AP) -- Dr. Hiyoshi Kato, Manchoukuo Trade Commissioner in Germany, told the East Asia Society today that in the future Germany and Italy would have an "exclusive preserve" in China's trade with the Occident.

\* \* \*

NEW ORLEANS, La. -- The pro-Japanese Cotton Trade Journal, explaining to doubting cotton growers why they should hope for a complete Japanese conquest of China, declares that the Japanese can never grow sufficient American-type cotton to fill her demands because of soil and weather conditions in Manchuria and North China.

NEW YORK CITY -- A 96-page supplement of the N. Y. Journal of Commerce on November 30 on AMERICAN-MANCHOUKUO TRADE RELATIONS, sponsored and paid for by Japanese interests, contains an article headed ADAPTS U. S. COTTON TYPES TO MANCHURIA by P. N. Dixon pointing out that the Manchoukuoan Government has formulated "an ambitious plan of cotton production with the end in view of eventually making the country self-sufficient".

\* \* \*

HONGKONG, Oct. 23 -- An official Japanese Army communique announced today that General Yu Han-mou, defender of Canton, had surrendered to the Japanese field commander in Canton and had handed the Japanese officer his sword.

SHANGHAI, Nov. 9 -- General Yu Han-mou, Chinese troop commander at Canton at the time of the recent Japanese drive, was ordered by Chiang Kai-shek to Hangyang where he was executed for failure to defend the southern city, according to the Japanese Army spokesman here today.

## Our Outlook on China Held Wrong

### Japanese Propaganda Is Held Responsible for Feeling Of Despair Seen in This Country

#### TO THE EDITOR OF THE NEW YORK TIMES:

Ever since the fall of Canton and Hankow there has been a lot of premature wailing on the part of people who should know better regarding the prospects of a Chinese victory in the Far Eastern war. It is true that the China situation is so vast that it is difficult for any one to get a clear picture of what is happening. However, to one who has recently returned from there, the defeatism of many of China's friends in this country is something difficult to understand.

One symptom of the American outlook regarding China are the newspaper maps in which there are great shaded areas along the seaboard—areas which are turned over bodily to Japan by American editors. Any sensible investigation of the problem shows how absurd this map-making is. In order to get a grasp of the situation as it now exists it is necessary to consider each province in its own right.

Beginning with the north, we have the Tientsin-Peking area. Judging by the latest reports, even Hopei Province, which was the first nominally to be conquered by the Japanese, is still very largely loyal to the Central Government. Here the Japanese have had a better opportunity than anywhere else in China to consolidate their position, but they still control only the main lines of communication, and the hinterland is enthusiastically Chinese. Furthermore, there is some reason to believe that the predicament of the invaders is becoming more precarious rather than otherwise.

#### Shansi Unpacified

The soil of Shansi has absorbed the blood of unnumbered thousands of Japanese. The sacrifices made by the invading army in its attempt to conquer this rich province have been enormous, and the returns have been practically nil. The Japanese have repeatedly announced the pacification of Shansi Province, but according to the best available information they are beleaguered in their own garrisons and the province is definitely not a conquered territory. There is some reason to believe that the Japanese are actually on the defensive.

In Honan the situation is much the same. Along the main highways and other lines of communication the Japanese have advanced and exercised their customary control through terror. However, it is perilous for Japanese units to become isolated, and the situation for the Chinese is far from hopeless. Honan, like its neighboring provinces, is a sponge absorbing the financial and human energies of the Japanese Empire.

Shantung has been dominated in part by the Japanese for more than a year, and the invaders have in some areas made a determined effort at appeasing the local population. There have been a number of misleading dispatches regarding the situation in Shantung. It is easy for an observer looking at the interior from the shelter of a treaty port dominated by the Japanese to believe that the surrounding hinterland is

as the Japanese would like to have it. However, most recent reports from the interior of Shantung indicate that Chinese resistance is not dying down.

Reports to the contrary notwithstanding, Cheeloo University has not formally reopened in Tsinan, and conditions there do not warrant any such opening. A few students are enrolled in special courses, but the main body of the university is carrying on in Szechuan. Mission work as a whole is being carried on with difficulty wherever the compounds are located within city walls, because the Japanese are forced to make each walled city a citadel, difficult both for entrance and departure.

#### Haichow Still Open

Kiangsu and Anhwei have been subject to Japanese aggression for more than a year. The former was one of the first provinces invaded and is one of the nearest to Japan. It is a small, densely populated and generally level province, and under the circumstances one might expect it to be completely under Japanese control. However, the northern area is still Chinese. The port of Haichow has never been captured by Japan and there are powerful forces, regular and irregular, in northern Kiangsu which have succeeded in defying the Japanese.

In this connection, a report from Japanese sources in Shanghai, dated about the middle of November, admits the presence of 200,000 irregulars in the Hangchow-Nanking-Shanghai triangle. This is apparently a confirmation of reports this writer received in July while in Shanghai that determined efforts were being made to mobilize all existing guerrilla forces in a drive against the invaders. Probably no area in China has seen more desperate fighting or has been the scene of more determined efforts on the part of the Japanese to establish control than in this triangle, yet even here the Japanese are faced by a serious and growing military menace.

Cheking and Fukien have both been presented to the Japanese by American map-makers. This is an absurdity to any one acquainted with the situation. The Japanese are bottled up in Hangchow and its immediate vicinity. They control a very small area in Chekiang. The mountainous nature of the terrain makes progress especially difficult. Furthermore, the Chinese from their base at Kinkwa have utilized the last twelve months in building up an especially powerful irregular force. The Japanese are finding it increasingly difficult to maintain their precarious foothold in the face of lightning raids from the mountain fastnesses.

#### Fukien a Problem

Fukien is almost entirely Chinese. Briefly, the Japanese control the island of Amoy and a few other islets off the coast. The situation there is as if an enemy were to capture Staten Island and foreign map-makers thereupon presented the State of New York to the invaders. A few other landings have

been attempted, but have met with very limited success. According to missionary reports, the invaders have been assaulted not only by troops but by enraged farmers using only farming implements as weapons.

Fukien is at least 99 per cent Chinese. This province, in spite of its nearness to Formosa, presents extremely difficult military problems to the Japanese. To my knowledge, compulsory military training has been in effect in Fukien for several years. Although not particularly effective, this training has created an armed citizenry numbering probably 800,000, in addition to regular provincial and national forces stationed in the province.

If the Japanese had acted more humanely in the areas now under their control, it is possible that Fukien, owing to the strong Formosan influence, might not have remained loyal to a retreating Central Government. However, the Japanese have so crystallized public sentiment against them that Fukien is enthusiastically in support of the Chinese Government. The proof of this fact lies in the wariness of the Japanese in attacking Foochow. There have been many threats but little action in the Foochow area.

The fall of Canton was accepted by a large section of the American public as indicating the capture of Kwantung Province. Recent events proved the absurdity of defeatist reports. The Chinese have rallied, and are giving the Japanese a good fight in the South. The Japanese will find it extremely difficult to penetrate the mountain regions in the face of the resistance of an aroused and armed peasantry.

#### Japan's Advance Costly

In conclusion, the other provinces which have been invaded have been barely touched by military activity. The Japanese advance only with the greatest difficulty and at great cost in men and munitions. Every mile they advance takes them farther from their base. They are faced by Winter, and by the annual fall in the river level. By Christmas the Yangtze will almost certainly be so low that no large vessels will even be able to reach Hankow. It is safe to predict that the transportation problem this Winter will be a particularly serious one for the Japanese headquarters. How it will be possible for the Japanese Army to carry on any long-range enterprise before next Spring it is difficult for me to see.

There has been a lot of nonsense written and believed about the situation in China. Much of it is the result of wishful thinking on the part of Japanese propagandists. It is, of course, too early to foretell the final outcome of the war. It is certainly far too early to present to Japan even those provinces in which she has attained a foothold. Japan is finding it very difficult to maintain what she already has seized, and friends of China have no need to despair regarding the future.

OLIVER J. CALDWELL,  
Secretary Associated Boards for  
Christian Colleges in China.  
New York, Dec. 3, 1938.

## OFFICIAL REPORT ADVISES FDR HE CAN EMBARGO NAZIS

### Administration Legal Experts Agree That Boycott Can Be Applied to Germany and Japan Under Existing Federal Law

WASHINGTON, Dec. 5 (UP).—High administration officials are studying a confidential report proposing two methods available under existing statutes, by which President Roosevelt could impose economic sanctions on Japan and Germany, it was learned today.

The report, drafted by administrative legal experts, cites the Hawley-Smoot Tariff Act of 1930 and the Federal Code, as amended in 1934, as laws by which the President could clamp down on trade with any nation in retaliation for "discriminatory practices."

Under Section 338 of the Tariff Act, the report said:

"The President has very broad powers and he is free to exercise them without the recommendation, consent or approval of any other agency of the government.

"The law provides that whenever the President finds that the public interest will be served thereby, he shall proclaim new or additional tariff duties upon imports from products of any foreign country which, according to his finding, discriminates against the commerce of the United States, either directly or indirectly.

#### CAN ORDER EMBARGO

"If after the issuance of such a proclamation the foreign country maintains or increases the discrimination, the President is authorized 'to issue a further proclamation directing that such products of said country or such articles imported in its vessels . . . shall be excluded from importation into the United States.'"

Administration experts said that this provision enables the President to declare an embargo on goods from countries, such as Germany, which are not on the "most-favored nation" list of the United States by virtue of discriminatory trade practices.

Germany has developed an extensive trade with Latin American countries, becoming the United States' chief competitor in the Latin American market, through export subsidies, barter deals, and artificial exchange restrictions which, according to United States

officials, constitute discriminatory trade practices.

The report also said that "under Section 181 of the United States Code the President is authorized to direct the exclusion of any or all articles from any foreign country whenever he is 'satisfied' that such country unjustly discriminates against the importation or sale of United States products."

"Inasmuch as the United States government has already officially found that Germany discriminates against United States trade (for which reason German goods have been barred from receiving the benefits of duty reductions made under the reciprocal trade agreements act), the President could—if he deemed it in the public interest—immediately invoke against Germany the provisions of the Tariff Act, of Section 181 of the United States Code or both," the memorandum said.

The President could issue the embargo proclamation as soon as he saw fit after "finding" discrimination, the report said.

It also contended that these same provisions could be invoked against Japan, Manchukuo, or China if the President were to "find" that any of these countries discriminated against the trade of the United States.

"Our government," the report said, "has not officially found that any of these countries in fact discriminates against American trade, although our government has officially alleged that Japan has been responsible for discrimination against United States trade in Manchukuo and China (but not in Japan).

"On the basis of existing conditions, however, the President could no doubt satisfy himself that discrimination against American trade does exist in China and Manchukuo."

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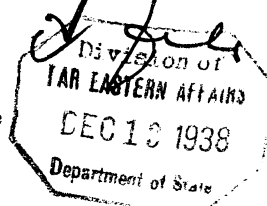
THOUGHTS ON THE DEATH OF A CHINESE WOMAN KILLED  
BY AN AMERICAN JAPANESE BOMB

By

A Missionary Surgeon

(Not for Publication)

God help our hearts, it was not meant to be  
That this poor soul through fault of ours,  
Should enter thus eternity.  
Like shadows in the moonlight, visible  
By Christ alone, her spirit passed.  
The moon withdrew her light;  
She'd lived, and loved, and had her end.  
She did not say farewell, she had no friend;  
Her mangled limbs stirred languid in the ghastly ruin;  
The heart beats moved the ebbing blood, now all but spent;  
Till softly ancient-wise the night encompassed her,  
And closed her eyes in kindly death.



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Page 1.

U. S. FOREIGN POLICY VIS-A-VIS THE FAR EAST

By Marcus Mervine

The breath-taking military and political events throughout the world during the past two months is rapidly bringing the united states to an historic reorientation of foreign policy to meet the challenge of the fascist and aggressor nations -- the "international outlaws" -- who threaten not only their neighboring states but the peace of the whole world.

Foreign policy experts and seasoned newspaper correspondents in Washington discern the outlines of a new external policy now being formulated in the White House, State Department and halls of Congress. This policy, designed to preserve the future of American democracy in a world that seems to have gone stark mad at the moment, embraces the following points:

REARMAMENT. Navy: construction of three new battleships and a large number of destroyers and auxilliary craft. Army: Organization of a highly mobile field force of 1,000,000 men equipped with the latest in arms and ordnance. Aviation: construction of 12,000 new first-line fighting planes during the next year.

CONTINENTAL SOLIDARITY. Improved cultural and economic ties with the twenty Latin American republics and a coordinated defense program -- defense not only against military invasion but also against ideological and economic invasion by the fascist-imperialist aggressor nations in Europe and Asia.

CLOSER COOPERATION WITH ALL DEMOCRATIC STATES. Psychological and trade alliance with the United Kingdom, Canada and the British colonies as a warning to the dictators that the democracies, although they do not pull together on all issues, stand firmly together in fundamental policies.

NON-PARTICIPATION IN AGGRESSION. Withdrawal of economic support for aggressor nations and non-recognition of conquered states.

PROTECTION OF AMERICA'S FOREIGN TRADE. Extension of the reciprocal trade treaties with other nations. Possible reprisals against nations discriminating against American trade and commerce abroad.

ISOLATIONISM. The Chamberlain policy of appeasement, which has caused such a widespread revulsion in America, was a staggering blow to advocates of concerted world action for peace. Surrender to terror is not a policy approved by the majority of Americans, as indicated by the Gallup Poll. Even the most ardent supporter of world concerted peace action admits that there can be no coordination of effort between America and Britain so long as Neville Chamberlain is Prime Minister of Great Britain and Daladier heads the French Government.

Isolationists, however, still can find small comfort in this fact. Had the world remained stationary following Munich, American sentiment would have favored a hand-washing policy, but the German persecutions of the Jews, the Japanese denial of every elementary American right in China, the increasing evidence of fascist economic and ideological aggression in Latin America has shaken this country to its roots.

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Isolation becomes a "snare and a delusion" and an ostrich-like foreign policy brings on such humiliations, trade wounds and economic suffocation that only a dead or dying ostrich remains. Every human instinct cries out against the persecutions in Germany and the mass slaughter in China and the whole country rises to demand a halt to such suffering.

POLITICS. The Administration's foreign policy is kept divorced from domestic politics. The last election showed a serious setback for President Roosevelt but commentators are unanimously agreed that the disapproval expressed at the polls does not include his foreign policies.

Mr. Roosevelt has maintained his foreign policies on a national basis rather than a party basis, as indicated by his appointment of Mr. Alfred Landon as an official American representative to the Pan-American Conference at Lima, Peru, and his close collaboration with Col. Henry L. Stimson, Secretary of State under Herbert Hoover.

The New Deal will still have a majority in the Senate and House at the 76th session of Congress, despite its election losses, but this is not especially significant to foreign affairs issues. Republican and Democratic lines will be split widely in important foreign issues such as revision of the Neutrality Act. Some of the strongest supporters for an embargo of war supplies to Japan will come from Republican leaders of the Senate and House and some of the chief opponents will be Democrats. The loss of Senator James P. Pope and Representatives Byron Scott, Jerry O'Connell and John T. Bernard was a distinct loss to advocates of the embargo but such stalwart friends as Senators Pittman, King, Chavez, Wagner, White, Thomas and Schwollenbach won their contests for the Senate and Representatives Rich, Rogers, Celler, Allen, Izac, Allen and Martin will come back to the House.

ACTION POSSIBLE UNDER EXISTING LAW. Existing laws already provide the Government with several methods of convincing the Japanese Government that America is not completely impotent in Far Eastern affairs. V

Enforcement of Section 338 of the U. S. Tariff Act would withdraw Japan from most-favored-nation treatment in her trade with this country and provide the Government with other methods of reprisal for Japan's discriminatory action against American trade and commerce in the Far East. Secretary of State Cordell Hull's note of October sixth hinted at reprisals but no action has been taken yet.

The Treasury Department could discourage loans and business credits to Japan through the national banks and it could continue its financial aid to China by extension of the silver purchasing agreement.

The Navy Department and War Department could discourage the sale of military and naval aircraft and other munitions to Japan by substituting their own orders under the rearmament program. Manufacturers who persist in selling munitions to Japan could be deprived of American Government orders.

The State Department could enlarge its earlier warning to airplane manufacturers against selling their bombers and other aircraft to nations which use the craft for the slaughter of civilians, to include all other type of munitions and war supplies, including oil and gasoline, steel and scrap iron, war chemicals, etc.

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The Department of Commerce could renew and extend its warning to exporters against shipping war materials and other goods to Japan without approved credits in hand.

The President could apply the Neutrality Act simply by finding that a state of war exists in the Far East as it does. However, Japan has long been preparing for such an emergency and enforcement of the act at this time would hurt China far more seriously than Japan. Unfortunately the Act does not prohibit the export of raw materials to belligerents but only places them on a cash-and-carry basis. Japan buys very little of the actual munitions in America because she has spent years building up her own munitions industry while China has not. She does not need the raw materials for her munition plants and she can only get many of them from this country, but these purchases are already on a cash-and-carry basis so the Act, if enforced, would cause her little if any embarrassment.

China's coasts are blockaded and she has not been able to make huge munition purchases in America but there are still ways of getting materials into China and Those materials which are still imported are absolutely vital to China's continued resistance. So far as China is concerned, the President has acted wisely in not enforcing the Neutrality Act.

REVISION OF THE NEUTRALITY ACT. This issue may become one of the leading contests in the forthcoming session of Congress. The cash-and-carry provision of the Act expires on May 1 and legislation is necessary if the Act is to be continued in its present form or changed in any way.

Joe Alex Morris, ace Washington correspondent for the United Press, pointed out in a significant story on November 28 that if the President had had discretionary powers to enforce the Neutrality Act against aggressor nations only, it is doubtful if Japan would have dared make "unresponsive" answers to American diplomatic protests over the Nine-Power Treaty.

The legislation described in the Morris story is the type that will be supported by every organization and individual who believes that America should no longer provide the materials for Japan's aggression in China. Many organizations are writing their supporters and contributors to write the Department of State expressing their approval and support for revision of the Act along the lines described by Mr. Morris in his United Press dispatch.

The story follows:

"A plan to amend the United States Neutrality act so that the President could apply an embargo on any nation he deemed to be an aggressor is being prepared by government experts for presentation to President Roosevelt.

"The proposed amendment would be designed to transform the neutrality law into one of the most powerful diplomatic weapons in existence.

"State Department and other officials are preparing the plan. It calls for sweeping changes which would put "teeth" into United States foreign policy.



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

CHINA INFORMATION SERVICE, Issue No. 15, December 6, 1938.

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"The proposals, after submission to the President, will be worked over with Congressional leaders in an effort to clear the way for legislation amending the neutrality law at the next session.

#### SCOPE OF PLAN

"Although government officials were silent or denied that the proposals had any official status, it was learned from unimpeachable sources that amendments under consideration included changes that would:--

"Increase the discretionary power of the President in dealing with belligerent and with aggressor nations.

"Give the President power to name the aggressor in foreign conflict and apply an embargo on that nation without also applying it to a nation being attacked.

"Empower the President to prohibit shipment of all war materials to an aggressor nation.

"Include Canada in the list of American nations to which the act at present does not apply.

"By including Canada in the list of nations to which the present act does not apply, the United States would strengthen Mr. Roosevelt's declaration of last summer that this government would not stand "idly by" in event of an attack on her.

"The fact that these proposals are under consideration does not necessarily mean that all of the changes outlined would be proposed by the administration or adopted by Congress.

#### MORE EXECUTIVE POWER

"One diplomatic expert described the proposed changes as giving the chief executive more power in foreign affairs than at any time in history and correspondingly increasing the weight of United States' views on the policies of other nations.

"Of importance in that connection, is a suggestion that the present act be amended to permit the President to prohibit shipment of arms, implements of war and all materials necessary to the conduct of war by an aggressor. The act now empowers the President to prohibit shipments of "arms, ammunitions and implements of war" to both belligerents after a state of war is declared or after he finds that a state of war exists.

"By substituting the word "munitions" for "ammunition" the act would become much more powerful. Ammunition means only the materials used in the "charging of firearms and ordnance of all kinds." Munitions would include all materials necessary for conduct of war.

#### DIPLOMATIC PRESSURE

"Thus by making such a change and giving the Chief Executive power to distinguish between an aggressor and a defending nation, the United States would be in a position to exert pressure on governments that need supplies from America to conduct war and in that way to back up United States foreign policy.

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From RELIGIOUS HERALD  
Richmond, Va., Nov. 3, 1938

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INFORM THE OWNERS!

J. Hundley Wiley

Some letters from Baptist friends in Virginia have recently slipped through the illegal Japanese censorship now functioning in the International Settlement. Some congratulate us on our return to the University campus. Others in a more pessimistic mood ask for our personal plans now that the University of Shanghai has been ruined. A few include clippings from the press: JAPAN PROMISES HULL AN EARLY RETURN OF THE UNIVERSITY OF SHANGHAI. In view of the widespread interest in our plight a general reply to be printed in the Religious Herald seems to be called for. I am writing this article at the request of Dr. Rankin. I shall confine my discussion to one phase of the case, namely, the attempt of the local Japanese military to force American Baptists to turn this valuable property over to them. And since my mail runs the risk of censorship I shall smuggle this letter to Hongkong. I am not so fortunate as the Osaka Mainichi. This Japanese newspaper recently printed an extra million copies of its English edition for circulation through the United States mails. No post office censor will stop these!

The past year has been the most difficult one in our history. Since August 31, 1937, we have been denied all rights of access to our property although it is located in plain sight of the borders of the International Settlement. The military still hold our library and our laboratory equipment which they refuse to allow us to bring out. In spite of all these difficulties the outlook for the coming session is very bright and we have the highest enrollment in our history. The most serious blow was the cold-blooded assassination of Dr. Liu. All thinking Japanese admit that his murder was a very serious mistake. It lost Japan many friends among the eight million Baptists of America.

Ten months ago I would have said that a few short weeks would see the return of our property. Fighting had stopped and Japanese owners in our neighborhood were being returned their property. I expected an early return of ours. In fact the Japanese Army did not really begin to use the plant until after Nanking had fallen. I based my belief on promises made by Commander Takahashi of the Imperial Japanese Navy. He and another official took two of us to the campus to prove that the plant had not been seriously harmed. They confessed that the local military had taken it over but promised to return it shortly. "In the meantime the Japanese Government will be completely responsible."

Even later than this I held to the same opinion. I knew that Japanese military effort in China was impossible without supplies from America. Her armament machines are American. They need constant replacements which can only come from America. We furnish her with indispensable steel alloys. Without our scrap iron there isn't enough steel to supply both army and navy. It is likely enough that America furnished the shells to bomb the Wuchow Baptist Hospital. Her buyers haunt the American copper exchange. Without American aid her entire air force would have to stay on the ground. It is engined with American equipment, lubricated with American oil, driven with American gasoline. To pay for these supplies Japan needs foreign exchange, which she mainly secures by processing American cotton or by selling raw silk to American buyers. And if Mr. Hirota is to be trusted, future capital for the rehabilitation of China can only be secured from American banks. The Panay Affair seemed to indicate that Japanese leadership would go to great lengths to prevent the alienation of this unofficial aid. On these completely cynical grounds I expected the local Japanese to speed up the return of this American College. But I was badly in error!

Through the long weary months we have pressed our case with the local military. We have received scores of fair promises. I took these promises at their face value and would joke the other missionaries about a suitable date for our return to the University. January 1st, April 1st, May 1st, June 15th were some of the dates set. I remember especially one man who insisted that the case be

settled quietly and without publicity. He concluded with this remark: "PLEASE INFORM YOUR OWNERS IN AMERICA THAT THEIR PROPERTY WILL RECEIVE GOOD CARE."

Let us see the kind of care that this valuable river front property is receiving at the hands of this group. It consists of fifty-three acres of river front land covered with forty buildings of massive brick construction. Its equipment is about equal to that of the University of Richmond. A thousand students can be accommodated in its dormitories. It is one hundred per cent American property and is so registered with the United States Government. It is conservatively valued at two million dollars American currency. The plain truth of the matter is that the local military want this property after the war is over. In the meantime they are doing their best to depreciate its value for its far-away owners.

Every obstacle has been put in our path to prevent us from finding the truth. But we have secured weekly reports from trustworthy eye-witnesses. The plant is only a half mile from the Settlement and powerful field glasses bring in other facts of importance. We now have a complete file of information. A few details are lacking but the main items are perfectly clear. After this war is finished the Japanese mean to buy this property at about one-tenth of its true value. For thirteen months no missionary has set foot on the property. Ten missionaries have gotten as far as the College Gate only to be turned back by armed force!

Its dormitories have been used to house troops, although Japanese property nearby is unmolested. These troops cook their meals by burning furniture from the Woman's building. Its thirty-year-old trees have been cut down over our protest. University safes have been rifled, although we informed the Japanese that these safes contained nothing but University records. At least one small building has been torn down. We have been denied the right of making an inventory of its present equipment. All access to the campus has been refused. Efforts to bring out the library and the laboratory equipment have failed. These two items are the lifeblood of a university and they have no military value. At least in previous wars they have had no military value but this is a strange war. It is my belief that the contents of all our buildings are now in process of being completely looted. This is the kind of care that your property is receiving. At present the place is empty of troops and two lone sentries pace back and forth in front of the Gate. However, innumerable holes have been cut in the long fences and sneak thieves snag typewriters and microscopes at will.

The case has become a source of great embarrassment to the Tokyo Government. As a result of pressure from Washington she has made some attempts to settle the case but she finds it very hard to enforce obedience from her own subordinates. She has persuaded them to grant a concession or two but none of any great importance. All were very unwillingly granted. They were not designed to help the owners of the property but only to save the face of the Tokyo Government. For a time there were signs of great activity among Tokyo officials but that soon died down. What has happened to her promise to cause "AN EARLY RETURN OF THE UNIVERSITY OF SHANGHAI TO ITS AMERICAN OWNERS"?

The time has now arrived for Southern Baptists to give the widest possible publicity to the case for nothing less than this will cause Shanghai Japanese to pay any attention. All the facts are now in the hands of the Board in Richmond and can be used to turn the white light of truth on this policy of sabotage. Up to the present we have refrained but we are not doing the cause of Christianity in the Far East any good by withholding the truth. This case cannot stand full publicity and every Japanese of intelligence knows it. It is the hope of this missionary that you will continue to ask for your rights and ask for them in determined fashion.

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TO ONE OF THE EDITORS

From East China  
October 18, 1938.

I am glad to have your suggestions regarding Senator Pope's address. I have already written to him and I find that one or two of the rest of the folks around here have also written. We are glad to know that there are persons who are interested in the situation out here. We sometimes are inclined to think that our government is not taking the active part in affairs that they should. When I was in America we had frequent reliable reports regarding America supplying Japan with large quantities of raw materials which feed directly into the huge munitions factories. We did not realize how serious this was until we went west where we actually saw the Americans loading the Dollar Line ships with large quantities of supplies for Japan.

The American Dollar Liner President Taft, on which we sailed from Los Angeles to Yokohama, was heavily loaded down with scrap iron, steel, zinc, copper and lead. There was also a large quantity of cotton and old rubber tires. Right across at the next dock from the Dollar Line wharf at Los Angeles were Japanese tankers which we saw filling up with American crude oil, kerosene, gasoline, and lubricating oils, all going to Japan to be used in the war. At San Francisco more scrap iron and cotton and large quantities of steel were loaded on to the boat there. I noticed particularly the steel axles from old railway cars which were loaded on to the already well-filled steamships. It is evident that America, while claiming to be neutral, is growing rich on the unjust sale of war materials to Japan. It all makes one feel ashamed and guilty of a great injustice that our much-boasted, peace-loving nation should be sending such materials to a pirate nation which is invading a land friendly to the United States. We feel that our missionaries in China should justly make strong protests to the United States against sending such quantities of war materials to an enemy nation, but nothing seems to accomplish much with the United States government. I suppose that nothing can accomplish anything unless America is willing to change her policy.

Regarding the University of Shanghai, we have made as strong protests as possible through the American Consul against Japanese continuing to hold our American University. The American Consul here has also backed us up in this position and have sent very strong protests to the Japanese Consul here, and have also forwarded these to the Ambassador in Tokyo. The United States government has made strong representations to the Japanese government regarding the University, and still the property is wholly in control of the Japanese to this day. I suppose that nothing can be done unless America is willing to back up these protests with the threat of war, and I do not believe that will be done in the near future, so therefore we do not know when, if ever, the Japanese will return the University of Shanghai.

The Japanese government has made an offer to purchase the University campus, but our group, both Chinese and missionaries, are dead against selling our University to the Japanese to fit into their plan for a fortified zone against the Chinese. We have had to face the question as to whether we would sell or run the risk of an entire loss of the whole plant. It has been the decision that it would be better for us to lose the plant, valuable as it is, than sell to the Japanese.

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The Japanese are still driving into China and gaining slowly upon Hankow. They have also just started in their campaign in the south. They are meeting with strong resistance and it is a very expensive campaign that they are carrying on. One wonders how long they will be able to carry such an enormous expenditure of money, and the sacrifice of such large numbers of Japanese in this campaign in China.

There was a feeling at home, and it seems to persist, that the situation in China makes it impossible for us to carry on mission work in East China. I hope that everything that can will be done to rid our American constituency of this erroneous idea, because as a matter of fact all of our missionaries are working at full capacity and by their efforts have gained the admiration of the Chinese people. The spirit of activity of our missionaries during these days have opened up opportunities in China which have never been offered us before, and our missionaries, Baptists and all others, are standing loyally at their posts carrying on their work, except where they are actually driven out of their stations. They are going back as rapidly as possible and returning to most of the stations along the Yangtze.

Since our missionary force was reduced to one woman in Huchow we do not have any missionaries working there now. In Hangchow Mr. Clayton remained on, and now Mr. Nasmith is living there. We had to close Wayland and Hangchow Union Girls' School, but the Christians are still meeting in their homes for prayer and Christian services. As you already know, Hangchow and Huchow are both in occupied territory, but so far the Japanese have not crossed over the Chientang River, so the eastern part of Chekiang is under Chinese control. While the Japanese have bombed all of the cities there, yet no army has invaded that area.

Our work in Kinkwa, Ningpo, and Shaoshing is in full swing. Our schools are more full than ever because not only the local students have come in but many from the occupied areas have come into these cities, and large numbers are coming into our schools. We have more students than we have ever had in the history of our Mission.

You know, of course, that the University of Shanghai carried through the first year in very good shape. This was done because the teachers voluntarily reduced their own salaries, and because certain contributions came in from America to help out. At the end of the year they had room to receive 240 new students. We were rather amazed that over 800 took the examinations, but it did give us the opportunity of selecting the very best, and now we are running with 643 college students, entirely filling up all the room available.

ECONOMIC RECONSTRUCTION IN CHINA'S SOUTHWEST

... An economic reconstruction program for the southwestern province of Szechuan, Kweichow, Yunnan, and, Kwangsi, has been mapped out by the Ministry of Economics in consultation with the various provincial and municipal governments concerned. This project is in charge of the Southwest Economic Reconstruction Committee headed by Dr. H. H. Kung, Chairman of the Executive Yuan and Minister of Finance, and General Chang Chun, Commissioner for the Generalissimo's Headquarters. Emphasis is laid on a development of agriculture, hydro-electric schemes, industrial undertakings, mining, and trade.

Agricultural and hydraulic developments are in the hands of the Agricultural Credit Bureau of the Ministry of Economics with the cooperation of various local government authorities. Every effort has been made to stabilize conditions in the rural districts so that the farmers in the rear may continue production with increasing efficiency, unperturbed by war. To this end, the Bureau has extended technical help to the farmers by supplying them with improved seeds, fertilizers, and the means of combating plant pests and animal diseases. Insurance of domestic animals has also been enforced in many districts.

Szechuan is particularly noted for its silk. The new breed of silkworms introduced here recently has proven successful and will increase the production of silk by one-third. According to a plan laid out by the Provincial government with the cooperation of the Agricultural Credit Bureau, the value of the annual output of silk in Szechuan will reach \$70,000,000 within five years. Another important work has been the reclamation of all cultivatable land formerly left to waste, with a view especially to rehabilitating the vast number of refugees thrown out of employment by war.

To aid rural finances, the Bureau has established cooperative banks, one for each county throughout the four provinces. Farmers in need of financial help may obtain short-term credit loans for buying seeds, fertilizers, and farming implements. The Bureau has also set up big granaries in all the rural districts. In Szechuan, which has just enjoyed one of the best harvests in years, the farmers would have suffered from a great drop in the prices of rice and other cereals had it not been for these granaries. Outstanding has been the recent development of irrigation. A network of irrigation channels has been completed at the cost of \$10,000,000.00. The Bureau has also been cooperating in promoting and improving the inland navigation system, confining its work to the main waterways linking the provinces of Hunan, Kweichow, Szechuan, Chensi, Kwangtung, and Kwangsi. Dredging in many of these inter-provincial arteries may soon enable big-powered craft to replace small steamers and junks. A comprehensive system for the transportation and distribution of farm products has also been introduced by the Bureau.

Under the direction of the Ministry of Economics, all government and commercial bodies have consolidated their efforts in the development of heavy industries and mining. In Szechuan have appeared several wood oil factories in Chungking and a copper mining company and a vegetable oil refinery in Chengtu. A big iron and steel works has been established in Hunan Province. Efforts are being made to open up all the gold mines in Hunan, Yunnan, Szechuan, Chinghai and Sikong. A network of power stations is being established. In addition, many machine shops, electric works, radio apparatus plants, and numerous other plants of importance to China's national defense have already been erected or are in process of establishment. Coal mines have been opened in these Provinces and according to recent survey Szechuan alone is capable of producing upward of ten billion tons.

No efforts have been spared for development of light rural industry and handicrafts. The Women's Guidance Committee of the New Life Movement is promoting light industries and handicrafts for women laborers from various war zones. The influx of private concerns from Shanghai and other Japanese-occupied areas is continuing with undiminished speed. In Chungking, for example, there are now more than sixty large Chinese factories from Shanghai. In addition new concerns organized by local merchangs with the aid of the Government have sprung up like mushrooms.

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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 3, 1939.

~~ASC~~  
~~TCV~~  
~~LES~~  
~~W~~  
~~MMH~~

Reference despatch of November 15 from  
Vice Consul Espy enclosing a memorandum on  
political and military developments in  
Kwangtung.

In addition to previously reported factors  
responsible for the fall of Janton Mr. Espy  
mentions a seemingly indifferent frame of  
mind and apathy toward the hostilities on  
the part of Kwangtung military officials,  
and division of control and responsibility  
between Yu Han-mou, Wu Teh-chen, Tseng Yang-  
fu, the local Kuomintang and the Political  
Warfare Bureau. It is said that failure of  
four divisions of Chinese troops near Waichow  
to resist was due to activities of followers  
of Chen Ching-ming (Mr. Espy probably means  
Chen Chiung-ming, who died in 1933).

substantive

The first/section of the memorandum con-  
tains some interesting information in regard  
to the Japanese invasion of south China, the  
second reports principally data already re-  
ceived in the Department, and the third lists  
the factors operating for and against the  
Japanese in their effort to gain and retain  
control of Kwangtung without attempting to  
predict whether or not this effort will meet  
with success.

~~SP~~  
FE:Penfield

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No. --

AMERICAN CONSULATE GENERAL

Hong Kong, November 15, 1956

COPIES SENT TO  
C.N.I. AND M.I.D.  
*in confidence*

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note  
873.00

SUBJECT: Transmission of Memorandum Regarding recent Political and Military Developments in Kwangtung Province, China.

THE HONORABLE  
THE SECRETARY OF STATE  
WASHINGTON.

*copy in 7570*  
Division of  
EASTERN AFFAIRS  
DEC 29 1956  
Department of State

SIR:

I have the honor to submit as of possible interest to the Department the enclosed memorandum regarding recent political and military developments in Kwangtung Province, China.

Respectfully yours,

*James Esby*  
James Esby  
American Vice Consul

DEPARTMENT OF STATE  
FEB 2 1957  
ASSISTANT SECRETARY  
OF STATE

Enclosure:

Memorandum, as stated.

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Distribution:

In quintuplicate to the Department.

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

CONFIDENTIAL.

November 15, 1938.

MEMORANDUM ON THE RECENT POLITICAL  
AND MILITARY DEVELOPMENTS IN KWANGTUNG, CHINA

I. Introduction

Reference is made to the reports from the Consulate General at Canton, China, attendant upon the Japanese invasion of Kwangtung during October. A discussion is undertaken herewith of the recent military and political developments in that consular district and an effort made to submit from information gained during the past few months and from comments made by various persons a brief summary of observations on the present political and military situation there. As contributory to the developments there are first mentioned certain factors in the Chinese military and political activities that appeared, at least in relief form, shortly prior to the Japanese attack on South China; there are then stressed several aspects of the developments; and there are suggested possible considerations of lines along which future trends may follow.

II. Military and Political Developments in Kwangtung Prior to the Japanese Invasion.

Little attention during the months preceding the Japanese invasion appears to have been taken concerning the ability and the integrity of the local Kwangtung military officials to command the forces in South China. In some quarters it was heard that General Yu Han Mou, Commander-in-Chief of the 4th War Zone armies which were to defend the province was not considered a strong leader. It was also intimated that the Central authorities did not consider the Kwangtung  
military



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military headquarters as too satisfactory and to bolster up the command General Wong Chun was sent down from Central China to become Chief of Staff of the 4th War Zone, a Political Warfare Bureau was organized to work with the 4th War Zone Command and it was announced that General Chen Cheng would assume command in case of emergency from General Yu Han Mou. But evidently it was felt that these were sufficient precautionary measures to insure at least for the time being adequate military leadership in the province.

It is now generally held that the Chinese military officials -- not only the high command but the general officering of the troops as well -- were to a very large extent responsible for the disastrous outcome of the Japanese invasion. Inefficiency, inability and dubious integrity have been mentioned in describing the Kwangtung military leadership, and it is felt in most quarters that the weakness of the command was not just brought about during the hostilities but was inherent in the military situation in Kwangtung for some time before the province was attacked. Various explanations of this feeling have been suggested but it is believed that perhaps the following instance might well have represented the situation:

During a conversation in the latter part of September with two of the secretaries of General Yu Han Mou, one of the secretaries remarked, upon the discussion turning to China's relations with foreign powers, that although the Chinese had said they would fight to the end against Japan they could just as well give up their resistance and cooperate with the Japanese more or less voluntarily. The remark

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it is believed was made jokingly and in a facetious vein. But coming from a member of the military headquarters of South China and heard in conjunction with other remarks of military officials in Canton rather lacking in an intense fervor of whole-hearted military spirit showed a seemingly indifferent frame of mind of the military leaders and general apathy of the military officials to the hostilities.

From the outbreak of the Sino-Japanese hostilities continuous war preparations were carried on in the province and it is felt that a good deal had been accomplished to this end, particularly in the way of military training, by the time the Japanese invasion had begun. A standing army had been built up and maintained in the province reportedly amounting to some 125,000 men. Some 500,000 militia had been trained to be available for active defense forces and another 500,000 had received several months training. Self-defense or "home" guards in large numbers had also been organized and there were as well local gendarmerie units and so-called "mass movement association" groups. These forces were not without military supplies. The militia were equipped with machine guns and some light field guns and an estimated million or more modern rifles were available to them and to the self-defense guards throughout the province. That the regular troops had more than just light equipment was evidenced by the numerous heavy tractor trucks and the eighteen "French 75" guns that were found left behind in Canton after the Chinese had retreated.

But,

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But, according to some observers, there was present in the military preparations an appreciable obstacle to the effective use of the military forces to meet an invasion. This was the disunity, and the lack of organization, coordination and direction of the various military units.

Except for the 4th Route Army which was, of course, directly under the Military Headquarters, each of the other groups was a distinctive organization created for the purposes of national and provincial defense but developed as more or less separate entities and under diversified commands and apparently even in themselves not always well organized. The militia were a provincial force responsible to the provincial government but also under orders of the army headquarters. But in practice it is understood various units were semi-independent groups controlled by the local commander or the local district magistrate. The self-defense corps were generally autonomous bodies, the development of which had been encouraged by the provincial and military authorities but without much control or direction given to them. Each district and larger village was to establish a unit and the mayor of each town including Tseng Yang-fu of Canton was to maintain one.

During the last three months before the hostilities were brought to South China several orders were issued by the military authorities which would seem to have evidenced a realization of deficiencies in the military organization in the province and to make an effort to eliminate them. Thus in an attempt to unify and direct the self-defense units and to unite with them the

different

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different "mass movement associations", the Political Warfare Bureau of the 4th Route Army in September took a hand in having a Controlling Commission established for the units which was to organize and direct their activities. That Bureau also during September tried to arrange for the coordination of the activities of the militia throughout the province.

It is noted that public attention was also beginning to be brought to these deficiencies. There was published in the independent vernacular daily newspaper, the KWOK WAH PO, in its issue of September 29th an article dealing with the mobilization and organization of the forces of the province and making as close to a criticism of the handling of this situation as was seen in the local press. A suggested translation of the  
1/ article is submitted with this memorandum as Appendix A.

Why the correction of this situation had not been brought about at an earlier date has not been fully explained but it may in part be explained by the size of the task, in part by the inefficiency of the military command and in part by the division of control and direction of the affairs in the province under General Yu Han Mou, Governor Wu Te Chen, Mayor Tseng Yang-fu of Canton and to a lesser degree the local Kuomintang and the Political Warfare Bureau.

Certain factors of a political nature were, it is believed, significantly contributory to the developments. They may have only lain dormant or acted in a **subversive** manner during the previous months but with the initiation of the Japanese invasion came forward to influence the  
course

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course of events.

One of these factors was that of former provincial political leaders or factions under such leaders who had been ousted from power, had not been reconciled to the National Government or to the Kwangtung Government and took the opportunity to oppose the Kwangtung military resistance. An instance of this, which apparently had not been reckoned with beforehand, was brought out during the Japanese march on Canton. This involved the followers of Chen Ching-ming who according to information from usually reliable Chinese sources were primarily responsible for the traitorous yielding of the Chinese troops (said in some quarters to have numbered four divisions) at Waichow. Chen Ching-ming was a native of Waichow and at one time military governor or "tutuh" of Kwangtung. He had opposed Sun Yat Sen and was driven from power. Many of his followers had remained in and around Waichow unreconciled to the Kwangtung Government. Their financial fortunes had also suffered and some of them had joined the army and then used this occasion to turn on the Provincial Government.

A good many insinuations were heard that numerous deposed or discontented Kwangtung officials who had left the province mainly for Hongkong were not above dealing with the Japanese in treasonous activities. It is believed that although many of the insinuations were greatly exaggerated there were some grounds for them. It is noted in this connection that in less than a week after the Japanese had landed at Bias Bay proclamations were posted at various villages in eastern Kwangtung

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setting up a new Japanese sponsored puppet government under the names of two former Kwangtung officials, Ch'en Chin-t'ao and Ch'en Lien-po. Limited information of the previous activities of these two persons is submitted 2/ in Appendix B.

As reported in the Political Report for September some seven hundred Farmers Cooperatives had been established in Kwangtung by the end of the summer of this year. Lately the Provincial Government had been directly engaged in fostering their activities. The official(#) in charge of the Government's dealings with the cooperatives stated that they had become very popular. He said that they had been readily taken up by the farmers in the province, except in certain sections where the efforts to establish them had been interfered with. These were sections along the coast and in the Pearl River Delta where he stated that from thirty to sixty percent and in some places over sixty percent of the farmers were tenants of rich overseas, Hong Hong, Canton and other landowners. The agents of the landowners were able to frustrate every attempt but one or two to establish a cooperative.

It had been heard elsewhere that the principal reason for the Government's fostering the development of cooperatives was to use them in the military program of the province. The impression gained from the conversation with this official was that although the

tenants

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(#) Dr. Lin Tao-yang, Director of the Agriculture and Forestry Bureau of Kwangtung.

- 2 -

tenants had not made overt demonstration of resistiveness against their lot the fact of their being tenants made it much less conducive for them than for the independent farming population of the interior to defend their lands and to uphold the Chinese armed resistance program.

Perhaps one other factor should be mentioned here which it is felt may have generally applied to the people of Kwangtung as a whole. As noted in a foregoing paragraph warfare preparations and particularly military training had been carried on continuously during the past year. Moreover, the military and civil authorities had organized extensive propaganda campaigns with which they had attempted to reach all parts of the province and all classes of the people. It is felt by many observers that this work had had its effect and that a strong impression was left in minds of the people. However, two things played a counteracting part to frustrate its usefulness in the time of emergency. The first was the ingrained Kwangtung spirit of independence and indifference to the affairs of the rest of China; the other, the failure to comprehend what a major present day invasion by a foreign power would actually mean. In clarification of the latter point it is noted that although the cradle of Chinese nationalism and anti-Japanese activities is said to have been in Kwangtung it remains that the people of Kwangtung as a whole

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whole had not had the same knowledge of the direct impact of Japanese dealings as had been gained in other parts of China and, except for the bombing which came from the skies, there had not been brought home to them the experience of Japanese military operations.

III.  
Present Military and Political Situation in Kwangtung

Reference is made to the telegraphic report, no. 43, of November 4, 1938, and other telegraphic reports from the Consulate General for an account of the conditions in Canton during and just after the Japanese occupation. By November 10th it still remained to all intents and purpose a lifeless, partially destroyed shell of a formerly thriving metropolis which had been deserted by its population and cut off by the blockades in the rivers and the fighting going on around it from the rest of the province.

During the first few days of November a good deal more Japanese military activity was to be seen in Canton. By then the Japanese army had more or less established itself in the city. More troops were being brought in and evidently concentrated there. Many ships were arriving daily and discharging large quantities of military supplies. From all appearances the Japanese were setting about to make of Canton a base of operations and a military center in South China,

It is noted that the Japanese Consul General who had arrived at Canton at the end of October informed the American Consul General that no attempt was to be made at present to rehabilitate the city and that the

Japanese



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

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Japanese authorities were now only concerned with military affairs.

Perhaps one development in Canton may be mentioned here which though of minor import in itself may have some future political significance. From the handful of Chinese that remained in Canton and the few that had returned there sprang up in various parts of the city vigilant committees. These were self created bodies which came into existence to combat the looting, arson and general lawlessness rampant in the city. However, the Japanese authorities soon took cognizance of them and called their leaders together on several occasions to attempt to organize them and obtain their cooperation. It may be that the Japanese will try to use them further in developing some form of government or administration of Canton.

Except for localities in the path of the Japanese invasion and the villages and towns in the Delta and near Canton which had been heavily bombed, the remainder of the province has suffered but little physical damage. Also, in some sections such as the western third of Kwangtung where no hostilities have yet occurred and where communications can be carried on over a relatively well developed network of highways conditions have not been greatly disturbed. Even some importing and exporting to Hong Kong and other ports has continued through such places as Macao, Kwongchow Wan and Pakhoi.

The affect of the hostilities to Kwangtung and

South

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South China as a whole has, nevertheless, been severe. The loss of Canton and the other towns at the head of the Delta such as Fatshan and Samshui has been a major one, commercially, economically and politically. The capture of Canton has meant that the center and focal point of the economic and commercial life has been taken away and due to its location it cannot readily be replaced by another suitable center. The seizure by the Japanese of the head of the Delta in the heart of the province where the rivers converge from almost all directions has been a hard blow to the commercial intercourse and the communications system of Kwangtung.

As an ideal center whence the largest part of the political activities of the province had radiated together with the control and governing of the districts Canton cannot be duplicated in the province and only an inferior capital can be substituted to take its place. The Provincial Government has been removed to Chinh sien in the extreme northwestern corner of Kwangtung where it is remote from many of the districts still in Chinese hands and where not only due to its remoteness but as well to poor communications it can hardly hope to keep in efficient touch with and control of them.

Reports received from various travelers in Kwangtung have been to the effect that in many of the districts and villages the local populace has taken the management of the local affairs into their own hands. Backed by the militia and the self-defense corps separate and self-contained communities have been set

up

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up. One Chinese military official spoken to, stated that the local militia in some communities were refusing to allow anyone to enter them even the regular army troops.

Fighting between the Japanese and Chinese is now going on almost in a circle around Canton. The Chinese forces which retreated to the west from Canton reportedly established headquarters at Shuihing on the West River and they, assisted by the militia, are attempting to retake Samshui. In the Delta regions south of Canton bands of militia have been engaging the Japanese. At Kongtsun, a village fifteen miles north of Canton fighting is going on and according to Chinese refugees from there the entire fighting on the Chinese side is by the local militia who had been aroused to resistance by atrocities committed by the Japanese troops. To the east it is reliably reported that Waichow and Tamshui have been retaken by the Chinese. This action is probably explained by an evacuation of the two places by the Japanese for strategic reasons.

On November 10th during the journey by boat from Canton to Hong Kong almost continuous firing was heard from shortly south of Canton to below the Bocca Tigris Forts and it is understood that two Chinese divisions together with the local militia were in control of the region, including the Canton Kowloon Railway from Sheklung to Cheungmuktau.

Over a hundred ships, some sixty of which were

medium

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medium sized ocean-going vessels were seen in the river and the lower Delta between Canton and Hong Kong. A 7,500 ton cruiser was anchored above the former boom at Bocca Tigris Forts and some ocean-going ships were unloading at the Whampoa docks. From all appearances the opening in the boom and the channel along the river, both of which were well marked, were adequate to insure the safe passage of any vessel that normally navigated the river to Canton.

Reportedly the Japanese now intend to depend upon the river for their line of communications with Canton and for this purpose there would be little practical reason for the Japanese to continue the use of the highway to Bias Bay or attempt to reestablish communications of the Canton Kowloon Railway to Hong Kong.

IV.  
Observations on Possible Future Trends of Developments in Kwangtung.

Other than the thus far superiority of Japan's military forces and the control by her navy of the Pearl River Delta there are some additional elements in the present conditions in Kwangtung which may insure to the continued Japanese hold of the occupied area there and to her setting up a successful subservient regime in the province. These elements may be suggested from the factors in the Chinese military and political conditions discussed in the foregoing paragraphs.

If Japan is willing to play up those factions which were discontented with the former Kwangtung Government

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she may be able to obtain a backing for a new puppet government. For this government some able leaders recruited from those who had formerly been ousted from power possibly could be enlisted. It has been heard that such has been proposed and to this end Chinese in exile or retirement in Hong Kong may be turned to.

With the breakdown of the Chinese military command and the loss of faith that many Chinese now have in the former leaders following the desertion of Canton it is not inconceivable that a part, if not a large part of the military people can be won over. The bands of militia and self-defense corps now reportedly in many cases without control or direction may be gathered together and organized under a new regime with less difficulty than otherwise would be encountered. If the civilians are as disgusted with the military as one foreigner in Canton who has lived with the Cantonese for many years has stated they now are, little opposition may be brought to bear by the civilian population to keep the Chinese military from defecting to a Japanese puppet regime.

In the rural districts if the Japanese or their puppet regime leave the farming communities undisturbed opposition may not be found in that quarter while siding with some of the factions such as the tenant farmers may bring a bulwark of support.

In regard to the urban centers as Canton and the other towns should efforts be made to reenstate their commercial and trading life and restore confidence in their

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

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their future economic prosperity the erstwhile inhabitants perhaps could be induced to return and, even if only passively, because of their need to maintain a means of livelihood they could be counted upon to support the new regime. Giving to Canton favorable trade arrangements, coaxing many of the rich Cantonese to return from Hong Kong and extending liberal loans and other financial assistance might accomplish this end in short order.

At the beginning of this month, however, the Chinese National Government announced that Kwangtung must atone for its poor showing in meeting the Japanese attack and that Canton should be retaken. As described in the foregoing section, fighting is now going on practically all around Canton and this has represented not only resistance to further Japanese military offensive but as well various counter attacks by the Chinese to regain lost territory. It may well eventuate therefore, that a serious effort will be made to recapture Canton and also a determined campaign launched to drive the Japanese out of the province.

There are a million or more men under arms in Kwangtung who have been trained and prepared for hostilities and they also will undoubtedly be assisted by the Central Government and Kwangsi troops. If an efficient reorganization and coordination of the Chinese forces can be effected and able leadership brought forth the Chinese may yet be able to give a good military account of themselves in Kwangtung. The year of war preparations,

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preparations, military training and armed resistance propaganda may now be called upon to good effect.

The Japanese salient into Kwangtung is an extended one and geographically the Japanese armed forces hold only a small slice into the province. The Chinese may not achieve driving the invaders from Canton in any set battle but they may with their overwhelming numbers in a long drawn out campaign be able not only to stop the Japanese from making further military gains but also play them out and eventually force them to give up their present hold in South China.

The general mass of people in the province may by now be aroused from any former apathy having learned what<sup>a</sup>/military invasion means; while the loss of face that they have suffered over the ignominious defeat of their armies, their spirit of independence and opposition to the Japanese and a realization that unless they fight back the Japanese are likely to carry on the offensive further into their province may spur them on to a sustained drive against the Japanese.

Other strongly impelling motives for making extended sacrifices are now coming to the fore. Such motives are: the growing realization that the Japanese may only use the province for what she can get out of it for herself, that little is going to be done to rehabilitate Canton or the other towns, that it is not likely that a return of the former commerce and trade will be brought about, and even, that sufficient facilities may not be forth coming to the urban population to regain its means of living.

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

APPENDIX A

The following article appeared in the KWOK WA PO,  
an independent vernacular daily newspaper in Canton,  
under date of September 29, 1938:

"The Present Phase of Mass Mobilization"

"The importance of mass mobilization in armed resistance is a matter to be stressed because if the troops are permitted to fight along without mass cooperation the difficulty of carrying out the warfare preparations will be greatly increased. With the establishment of the Political Warfare Bureau, the mass training is reaching its zenith, and it is believed that the fullest cooperation of the people and troops will be completed in the near future. The masses should be trained to such an extent as will not only enable them to fight with the troops but also individually. To this end we must arouse the people to national sentiments; educate them to enable them to become more patriotic.

"It is, however, regretted to see that between the various mass movement associations, there is no close connection because of the absence of a central directing unit or force. This must be improved without the least delay. A supreme directing organization should be organized to direct these associations. It is also equally important to provide such associations with every facility in carrying out the work. The incomplete system of certain local administrative organizations retards to some degree the progress of the mass movement associations with the result that the public in some cases misunderstand the actual meaning of the instructions. It is to be admitted that once bad impressions have been created in the minds of the people it would be difficult to remove them later and as long as these impressions exist the people cannot successfully carry out the work assigned to them."



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

APPENDIX B

Ch'en Chin-tao 陳錦濤  
Ch'en Lien-po 陳廉伯

Ch'en Chin-t'ao, a Cantonese, is a recognized authority on financial matters, and served as Minister of Finance under President Ts'ao Kun in C.R. 13th year (1924).

Ch'en Lien-po, a native of Nam Hoi District, Kwangtung, was for several years compradore to the Hongkong & Shanghai Banking Corporation, Canton, and Head of the Canton Militia. In 1924 he ordered from Italy a large shipment of arms and ammunition supposedly for the use of the Canton Militia. As a result of the seizure of this shipment by Generalissimo Sun Yat-sen on the ground of alleged rebellious activities, there was severe fighting between Dr. Sun's forces and the Canton Militia. The latter was defeated and Ch'en fled from Canton.

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

DDM

# TELEGRAM RECEIVED

Tokyo via Shanghai and N. R.

Dated December 29, 1938.

FROM

Rec'd. 9:45 a.m.

Secretary of State  
Washington

812, December 29, 1 p.m.

One. The Minister for Foreign Affairs will issue on

New Year's Day a message, of which the following is an outline with quotation of significant portions. It is requested that no public reference to this message be made until released on January 1.

(a) The first three paragraphs refer to the occupation by Japan of important areas in China, to the conversion of the Chinese Government into a provincial regime, to the development in China of a movement hostile to Chiang Kai Shek and to the establishment by Japan of a new order "by sweeping away old conceptions of the Orient as a colony for occidental capitalistic countries and by modifying international policies based on such ideas".

(b) Turning next to international cooperation against Communism the message states "at this point the Japanese nation must express its heartfelt thanks to Germany and Italy who understand the position of Japan in eagerly

pushing

793.94/14546

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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- No. 812, December 29, 1 p.m. from Tokyo

pushing on toward the great objective of anti-Communism. They accurately recognize the actual state of affairs in East Asia and show a sincere attitude in extending helping hands to the pacific construction works in this part of the world."

(c) Reference is made to American and British attitude in the following terms: "especially is it a matter of deep regret that some third powers are adopting policies of open assistance to the National Government, thus putting off the termination of hostilities ... furthermore, in view of the fact that some powers, in their eagerness to safeguard their rights and interests in China, have presented unreasonable requests regardless of the actual state of affairs in the zone of hostilities or are trying to readjust the new situation, created by the hostilities, on the basis of anachronistic ideas, we deeply feel the necessity of making strenuous efforts in the future to correct the misunderstandings of these powers and to officials of the international relations".

Two. The only features of this message which are in any way new are, first, the reference to "occidental capitalistic countries" in an uncomplimentary context and one which would suggest that Japan maintains economic and political systems different from those maintained by such countries, and second, the suggestion that Germany and Italy, "by

recognizing

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

5335

-3- No. 812, December 29, 1 p.m. from Tokyo

recognizing the actual state of affairs in East Asia" may  
expect to enjoy more fully than others the right of the  
open door in China.

Repeated to Chungking.

GREW

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

## DOCUMENT FILE

### NOTE

SEE 793.94119/472 FOR Telegram #622, 10 a.m.

FROM China (Chungking) ( Peck ) DATED Dec. 27, 1938.  
TO \_\_\_\_\_ NAME \_\_\_\_\_ I-1127 \*\*\*

REGARDING: Sino-Japanese relations.

Speech of General Chiang Kai Shek regarding the statement of Japanese Prime Minister, stating that this speech has given the Chinese people a deeper understanding of Japanese ambitions and strengthened the determination of the Chinese people to continue resistance without surrender or compromise.

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793.94/14547

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

FE

JR

PLAIN

Chungking via N. R.

Dated December 27, 1938

Rec'd 9:17 p.m.

Secretary of State,

Washington.

Note  
793.94

622, December 27, 10 a.m.

My 618, December 24, 471 noon.

The Chinese press and Central News Agency today published an incomplete version of a speech attributed to General Chiang Kai Shek which was delivered at the weekly memorial meeting of the Central Trangpu in Chungking on December 26.

General Chiang is reported to have referred to the recent statement of the Japanese Prime Minister as a disclosure of Japanese intrigue aimed at the dismemberment of China and to have stated that this and other recent Japanese official utterances have served to give the Chinese people a deeper understanding of Japanese ambitions and have thereby strengthened the determination of the Chinese people to continue resistance without surrender or compromise.

He is also said to have stated that Mister Wang Ching Wei went to Hanoi for medical treatment, that Japanese and

German

793.94119

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

-2- #622, December 27, 10 a.m., from Chungking via N. R.

German rumors that he is on a mission on behalf of the National Government to discuss peace terms with the Japanese are entirely false and that Mister Wang's trip has not the slightest connection with National Government or party affairs. General Chiang is quoted as having alluded to Mister Wang's meritorious service to the state and to have expressed the hope that if Mister Wang had his own views on national policy he should feel free to return and to discuss them with members of the Government and the party.

Repeated to Peiping for mailing to Tokyo.

PECK

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extinguished". The guerrilla forces were <sup>to be</sup> said under Ts'ai Chen-k'ang (蔡振康) of Ch'i-hsia-hsien (棲霞縣). The Japanese claimed they were well armed and quite strong.

The Chinese account in the main agrees with the Japanese but the estimates of casualties vary. According to Chinese sources a contingent of some 600 Japanese and Chinese made a surprise attack on Ch'ao Shui Chi of the Penglai District. The attacking force was met by the guerrillas at a point about seven miles east of Chao Shui. Large numbers of peasants had gathered for the market. The guerrillas engaged the Japanese for several hours in order to give the residents time to evacuate and then withdrew to the southwest about 3:00 p.m. The Chinese claim there were some 200 of their people killed at Ch'ao Shui, mostly women and children who were unable or unwilling to evacuate when ordered to do so. All the young men had already left the town. The Chinese reports say only four or five guerrillas were killed. About one third of the buildings were burned. The Japanese left the town in the evening and the guerrillas returned the following morning. The Chinese estimate of Japanese casualties were forty.

At Laichowfu (萊州府) the Chinese mercenary troops under Chang Tsung-yuan on February 26 advanced towards Chaoyuanhsien and captured this town the following day.



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

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day. On February 28 some twentyfive truck loads of Japanese arrived overland at Laichowfu and joined up with the Chinese mercenary troops to organize an expedition against Lungkow and Kwanghsien.

From Fenglai (蓬萊) to Laichowfu (萊州府) the guerrilla forces were preparing for a Japanese attack. The motor road was destroyed and the walls about the towns were being pulled down to destroy any shelter for the Japanese. Carrying out the scorched earth policy the guerrilla forces at Lungkow anticipating a Japanese drive destroyed the match factory and the electric power plant and warned godown owners to remove stocks of valuable merchandise.

The Japanese continued to shell and bomb Fenglai during the month of February. More than fifty bombs were dropped in two days. Five planes took part in one attack. In one of the raids several junks in the tidal basin were sunk by bombs. The objective appears to have been the electric light plant.

#### (2) Blockade of Shantung Coast.

The Japanese blockade of the Shantung coast effective January 23, 1939, against Japanese, Chinese and Manchukuo ships was lifted by the Japanese naval authorities on February 4, 1939. The naval order stated that effective February 4, 1939, ships of any nationality may operate along the blockaded coast. No reason either for the sudden declaration of the blockade or the unexpected lifting

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

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lifting of the ban was given. (3) (6)

(3) Chinese Maritime Customs Funds.

The efforts of the Japanese Consul at Chefoo to bring about the transfer of Chinese Maritime Customs funds from the Hongkong & Shanghai Banking Corporation were not successful. The Japanese Consul had requested the Collector of Customs to transfer the Lungkow revenue account and Chinese Maritime Customs funds of about half a million on hand when the Anglo-Japanese customs agreement was reached.

The manager of the Hongkong & Shanghai Banking Corporation delayed action on the Commissioner's request to transfer the funds by asking that this be made through the regular diplomatic channels inasmuch as the Japanese Consul had intervened in the matter. This was the reply the Commissioner of Customs invited by disclosing the activities of the Japanese Consul.

(4) Anniversary of Japanese Occupation.

February 3rd the first anniversary of the occupation of Chefoo by the Japanese Imperial forces was celebrated by the Japanese. Two days holiday were declared and the Chinese were requested to join in processions, display Five Bar and Japanese flags and generally to demonstrate their joy and happiness at the change from the Chinese National Government to the new regime.

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(5) Telegram No. 13, February 6, 8 p.m. to the Department, repeated to Peiping and Chungking.

(6) Despatch No. 43, February 10, 1939, to the Department entitled "Blockade of Shantung-Hopei Coast", copies to Peiping and Chungking.

At

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

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At 9:00 a.m. of the first day a memorial service to offer sacrifices to the Japanese dead of this incident was held at the public recreation ground. Japanese sailors with bands paraded the streets.

At 11:00 a.m. a commemorative meeting was held on the premises of the Bureau of Education. Speeches were made by the officer commanding the Japanese Naval Landing Party, the Senior Japanese Naval Officer afloat, the Japanese Consul, a representative of the Japanese community and representatives of various Chinese organizations.

The two day celebration differed little from the usual demonstration organized by the Japanese in the occupied territory. Schools and organizations under pressure from the local officials sent their quotas to make up numbers desired by the Japanese.

(5) Monopolies.

Another monopoly added to the collection of Japanese monopolies established in Chefoo since the occupation a year ago is the peanut exchange. The Bureau of Finance announced that this new monopoly would commence to function on February 1st. All peanuts must be sold through four main dealers selected by the Japanese and only for Federal Reserve Bank currency.

The monopoly has sole authority to supervise the weighing, inspection, and the fixing of prices for peanuts. A tax of six cents on small bags and twelve cents for large bags of peanuts with shell and 20 cents per bag of shelled peanuts

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

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peanuts is authorized. As the total peanut trade of  
Chafco last year amounted to some 700,000 bags the revenue  
of the monopoly will be considerable.

Dealers and merchants operating outside the so-called  
exchange or monopoly will be penalized under the peanut  
trading regulations.

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

100-420600-100  
Federal Communication Commission  
Copy also (as confidential)

TELEGRAM RECEIVED

EDA

PLAIN

PEIPING VIA N.R.

Dated December 29, 1938

Received 7:23 p.m.

FROM

VISION OF  
INTERNATIONAL COMMUNICATIONS

Secretary of State

Washington

743, December 29, 3 p.m.

According to the Peiping Vernacular Press two new measures are being undertaken by the local regime to facilitate relations between North China and Japan. The first is a reduction of parcel post rates from North China to Japan effective January first. The second is a downward revision of telegraph rates between North China and Japan, from thirty to twenty five cents local currency, and reduction to one dollar per unit on messages to Shanghai in the Japanese language, also effective January first. Charges for international transmission will be raised at the same time from one dollar and fourteen cents to one dollar and eighteen cents (per gold franc).

Repeated to Chungking, by mail to Tokyo, Tientsin and Shanghai.

LOCKHART

DDM

DEPARTMENT OF STATE  
JAN 9 1939  
A.M.C.  
ASSISTANT SECRETARY OF STATE

COPIES SENT TO  
D.N.I. AND M.I.D.  
D7

Division of  
Far Eastern Affairs  
JAN 30 1939  
Department of State

JAN 9 1939

793.94/14548

F/FG

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

January 9 1939

In reply refer to  
 IN 793.94/14548

The Acting Secretary of State presents his compliments to the Chairman of the Federal Communications Commission and encloses for his information a copy of a confidential telegram from the American Embassy at Peiping, China, dated December 29, 1938, in regard to measures being undertaken to facilitate relations between North China and Japan.

Enclosure:

From Peiping,  
 December 29, 1938.

IN: JMK:FMD  
 1/6/39

CR: JMK  
 JAN 7 1939

FE-  
 JMK

7/13

793.94/14548

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

OFFICE OF THE ADVISER ON  
 INTERNATIONAL ECONOMIC AFFAIRS  
 JAN 16 1939  
 DEPARTMENT OF STATE

205

*Copy in paraphrase  
 sent Treasury in  
 strict confidence*

*EA*

TELEGRAM RECEIVED

Copies hereof to be sent to *Commerce*  
*in paraphrase as strictly*  
 Copy also to *Confidential*

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

FROM

CHUNGKING VIA WIRE 1939

Dated December 30, 1938

Rec'd 7 a. m. 31st.

A.M./C  
 RECORDING DESK  
 FILE - C.

Secretary of State,  
 Washington.

*paraphrase*  
 COPIES SENT TO  
 O.N.I. AND M.I.D.  
*in strict confidence*

Division of  
 FAR EASTERN AFFAIRS  
 JAN - 3 1939  
 Department of State

624, December 30, 10 a. m.

CONFIDENTIAL.

STRICTLY CONFIDENTIAL

*773.94*  
*7*  
*2:18*

Accepting the Chinese Government's view that the con-  
 tinuance of armed resistance will depend as much on the  
 development of industrial production of exports and imports  
 in unoccupied China as on the efficient conduct of  
 hostilities, the Embassy has obtained from the Ministry  
 of Economic Affairs a private memorandum instruction of  
 projects accomplished or in progress and will transmit it  
 in a separate telegram. The source desires that this docu-  
 ment be given for military reasons a semi-confidential  
 character and accordingly proper names will be replaced as  
 in the following list in which each substitute word is  
 followed by the true reading: America Tsianotso Honan,  
 Baltimore Hanyang, Chicago Yunnan, Denver Tayeh, Hupsh,  
 England Sian, France China Vegetable Oil Corporation,  
 Guatemala Anhwei, Haiti Kwangsi, Indiana Kia Ting Szechwan,  
 Java Paochi Shensi, Kentucky Szechuan, London Chungking,  
 Maryland

793.94/14549

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

REB

2-#624, From Chungking, Dec.30,10a.m.

Maryland Chennankwan Kwangsi, Nevada Hupeh Province,  
 Ohio Hankow, Pennsylvania Foreign Trade Commission, Quebec  
 Hankow-Canton Railway, Rumania Industrial and Mining Adjust-  
 ment Administration of the Ministry of Economic Affairs,  
 Switzerland Kiangsi, Tennessee National Resources Commis-  
 sion, Virginia Hunan, West Virginia Swatow Kwantung.]

The informant expressed regret at the comparatively meager results portrayed but the Embassy believes that in appraising them it is necessary to recall that transportation has been through areas of hostilities and that especially at Ichang, where materials accumulated in large quantities, there have been repeated heavy bombings. At the request of the Embassy projects still merely in the planning stage were omitted from the summary.

Repeated to Peiping.

PECK

EMB



0188

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

Confidential

STRICTLY CONFIDENTIAL

P A R A P H R A S E

A confidential telegram (No. 624) of December 30, 1938, from the American Embassy at Chungking reads substantially as follows:

The Embassy has obtained and will send forward in a separate telegram (see telegram No. 626 of December 30) the text of a private memorandum instruction of projects in progress or already accomplished which has been obtained from the Ministry of Economic Affairs which desires for military reasons that the memorandum be regarded as semi-confidential. Projects which were as yet only in course of planning were, at the request of the Embassy, not included in the summary. In connection with the memorandum the Embassy accepts the opinion of the Chinese Government that the development of industrial production of exports and imports in the unoccupied areas of China is as important a factor in the continuance of armed resistance as is the efficient conduct of hostilities. Regret was expressed by the person from whom the memorandum was obtained because of the comparatively meager results described in the memorandum. However, in evaluating these results it should, in the Embassy's opinion, be borne in mind that transportation has been through territory in which hostilities were in progress and that heavy bombings have occurred repeatedly, especially at Ichang, where large quantities of materials accumulated.

89C  
FE:EGC:JPS  
1-4-39

FE  
KEW

793.94/14549

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

793.94

## DOCUMENT FILE

### NOTE

SEE 890.00/125 FOR Memorandum  
State Department  
Far Eastern Division  
FROM ( Jones ) DATED Dec 22, 1938.  
TO NAME 1-1127 \*\*\*

REGARDING: Situation in the Far East: developments of past week.

FRG.

793.94/ 14550

14550

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 894.00/827 FOR Telegram #818, 6pm

FROM Japan ( Grew ) DATED Dec. 31, 1938  
TO NAME I-1127 \*\*\*

#### REGARDING:

Sino-Japanese relations.

Organic regulations of the China Board were  
promulgated on Dec. 16. Despatch #3549, Dec. 23,  
includes detailed information on the subject.

aa

793.94 / 14551

14551

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

January 12, 1939

~~HP~~ ~~LES~~  
~~LCV~~ ~~JEB~~

Tsinan's despatch No. 3 of November 25 reports (1) the establishment of General Suwetaka's headquarters at Tsinan; (2) a dinner, on the usual lines, given by him for Japanese, puppet Chinese and consular representatives (Japanese and American); (3) a general increase in guerrilla activities in western Shantung which probably accounts for the General's arrival.

*KSC*  
FE:Chase:JFS

719  
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. 3

RECEIVED  
DEPARTMENT OF STATE

1939 JAN 3 AM 10 55

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

AMERICAN CONSULATE,  
Tsinan, China, November 25, 1938.

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

SUBJECT: ARRIVAL OF GENERAL SUWETAKA - INCREASED  
GUERRILLA ACTIVITIES - FALL OF LINTSING.

Classification Check		Yes	No
Classified	G.		✓
For	Hanlon		
ONI-MID			

The Honorable

Nelson Trusler Johnson,  
American Ambassador,  
Peiping, China.



Sir:

I have the honor to report that Lieutenant General  
K. Suwetaka (尾高亀藏) arrived in Tsinan on November  
21 and will establish his headquarters here, for which  
purpose the Chinese Government Post Office building has  
been "temporarily" requisitioned. General Suwetaka  
is said to be in command of the Japanese forces operat-  
ing in the Kiaotsi, Tsinpu and Lunghai Railway zones.  
At a dinner given by General Suwetaka on November  
22, which was attended by the leading Japanese residents,  
Chinese officials of the Peiping régime and consular  
representatives (consisting only of the Japanese consular  
staff and the writer), the General spoke briefly on the  
subject of his mission, which is the suppression of all  
Communist and Kuomintang elements in North China, thus  
establishing eternal peace in East Asia. He said that  
the great anti-communistic powers, Italy and Germany,  
stand firmly behind Japan in this righteous crusade, and  
added that because of the common cultural and racial

background

793.94/14552

F/FG

019

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 -

background, it is the natural destiny of China to cooperate with Japan and "Manchukuo" for the economic betterment of all three countries.

Ma Liang, the Governor of Shantung under the Peiping Government, spoke in reply. He welcomed General Suwetaka on behalf of the Chinese populace, praised the Japanese troops on their military prowess and thanked the "friendly forces" for ridding the country of the Kuomintang. In conclusion, he expressed the hope that Shantung might continue to enjoy the blessing of Japanese protection, which will insure peace and prosperity for all.

The Japanese Consul General then spoke at length in Japanese, but his words were not translated to Chinese.

That there has been a general increase in guerrilla activities in this region during the past few days there can be little doubt, and this probably accounts for the strengthening of the local garrison and the establishment here of General Suwetaka's headquarters. Military airplanes have been active recently, while a considerable number of Japanese wounded are known to have arrived from the north via the Tsinpu line. Furthermore, after two months of practically normal traffic on the Kiaotsai railway, that line has been damaged three times in the last week. No train departed for Tsingtao this morning, due to reported damage to a bridge near Fangtze (坊子).

The newspaper reports of the recent capture by Japanese forces of Lintsing (臨清), on the Grand Canal in western Shantung, are apparently true, judging from reports reaching the consulate from Tehsien (Tehchow). However,

Dr.

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 -

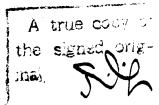
Dr. Alma L. Cooke and the Misses Valley Nelson and Alice E. Murphy, the only American citizens now in Lintsing, are believed to be safe. At least no anxiety concerning their welfare is expressed in a letter from their associates in Tehsien dated November 21.

Respectfully yours,

Carl O. Hawthorne,  
American Vice Consul.

800  
COH/KCC

Original to Embassy, Peiping,  
Five copies to Department,  
Copy to Embassy, Chungking,  
Copy to Consulate, Tsingtao.



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. 2

Per Distribution-Check		Yes	No
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AME

AMERICAN CONSULATE,

Tsinan, China, November 23, 1938.

RECEIVED  
DEPARTMENT OF STATE

1939 JAN 3 AM 10 53

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

SUBJECT: CONDITIONS IN TENGHSIEN.

COPIES SENT TO  
O. N. S. D.  
DT

The Honorable

Nelson Trusler Johnson,  
American Ambassador,  
Peiping, China.

Division of  
FAR EASTERN AFFAIRS  
JAN - 4 1939  
Department of State  
M

793.94  
note  
893-08

Sir:

I have the honor to quote the following from a letter addressed to this consulate on November 21, 1938, by an American missionary stationed at Tenghsien (滕縣), in southwestern Shantung, as being indicative of the chaotic conditions obtaining in that section of the province:

DEPARTMENT OF STATE  
JAN 13 1939  
A-M/C  
ASSISTANT SECRETARY  
OF STATE

"The situation in the country about us here is miserable. Every man of means sleeps in a different place every night. This unrest obtains as far away as we can hear the news.

"Guerrillas near here are organized into companies and larger bands, and as far as we can see are sitting down and living off the people. Hobbers enlist with them and operate more or less openly with their protection. They are making a clean mop up job of the country, as far as money is concerned.

"A band of thirty came across my yard wall last Friday and going down the street a little further with their ladder and carried off one of our well to do Chinese Christians. He is now held by Band No. ( ) and various demands have come back for this and that. One word was 30000 dollars. He is probably worth three thousand dollars.

"Last night they must have come to town again for the n th time as we heard much shooting. One

party

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4



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

- 2 -

party came into our North compound and seized all they could find in the house of a well to do woman that had rented a house on the compound.

"The Japanese and their associated police (?) attempt to restrain this robbery by various shellings in a small circuit about the city. Last week several of their quondam friends that had gone over to the other side were caught and literally skinned. This may be denied but we have the names of the men that were skinned.

"We are not especially anxious for ourselves as they do not seem to want complications."

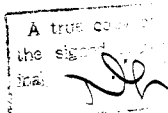
The foregoing tends to confirm the opinion previously formed by the writer, that the activities of so-called guerrillas in Shantung are causing great suffering to the populace without accomplishing any important military purpose. On the contrary, it seems probable that the depredations of these armed bands in the name of guerrilla warfare may prove beneficial to the Japanese; what has occurred in Kiangsu, where missionaries report some districts have welcomed Japanese occupation as a deliverance from armed extortion, may well happen in Shantung, and thus hasten the consolidation of this province under the Peiping Government.

Respectfully yours,

Carl O. Hawthorne,  
American Vice Consul.

800  
COH/KCC

Original to Embassy Peiping,  
Five copies to Department,  
Copy to Embassy, Chungking,  
Copy to Consulate, Tsingtao.



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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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

~~JFK~~ ~~CLS~~  
~~JCV~~ ~~NAA~~ ~~JWB~~

January 12, 1939

Tsingtao's despatch No. 382 of November 23, as from a Chinese source, reports conditions in the district of Laiyang (midway between Tsingtao and Chefoo). General conditions are very quiet. Though but 70 miles north of Tsingtao, the government functions under a magistrate appointed two months ago by Shen Hung-lieh (the National Government appointee). It has developed a self-dependent system of government (through "Farmers' Training Schools"), military defense, revenue raising and public livelihood, which has enabled it to maintain good order, manufacture small arms, repel Japanese attacks (a year ago), maintain a strict embargo on Japanese-backed currency and import and export trade with Japanese-controlled areas, enjoy moderate taxes and maintain fairly prosperous agricultural economy. Uncertainty of future events is the chief obstacle to its progress.

*R*  
FE:Chase:JPS

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893.00

*[Faint, illegible handwritten notes]*

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M.  
Sokolov

1. *Lin* ✓ *NI-1110*  
*PS*  
 Division of  
 FAR EASTERN AFFAIRS *B*  
 JAN - 4 1950  
 Department of State *AAA*

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DEPARTMENT OF STATE  
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DEPARTMENT OF STATE  
TAMM  
JAN 10 1939  
ASSISTANT SECRETARY  
OF STATE

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

- 2 -

the Chinese National Government appointee to the post of governor of Shantung has within the past two months functioned at Laiyang.

Some statements in the memorandum are difficult to reconcile with one another. Trade in all lines is stated to be at a standstill; crops are not considered as good as those of 1937. Yet it is said that the prices of the staple crops compare favorably with the prices prevailing at this time last year, in spite of the alleged restriction against the movement of export products such as peanuts, peanut oil and bean oil.

Another statement which appears somewhat unintelligible is that referring to the removal of part of the city wall at Laiyang "presumably under instructions from Admiral Shen Hung-liah", the Central Government's appointee to the post of governor of Shantung. The walls of a Chinese city even under modern warfare have some defensive value and it is not at all clear why even such meagre means of defence should have been ordered demolished by a Chinese Government official.

The general impression the interpreter received from his friend is that conditions are somewhat better than might be expected. The uncertainty of future events is the greatest obstacle to progress.

Respectfully yours,

Samuel Sokobin,  
American Consul.

Enclosure

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

- 3 -

Enclosure:

1. Memorandum.

800  
SS/CHS

Original to Embassy, Peiping,  
5 copies to Department of State,  
Copy to Embassy, Chungking,  
Copy to Embassy, Tokyo.

A true copy of  
the signed original.  
inal. *al*

Enclosure No. /  
The following is a summary of the

AMERICAN CONSULATE

Tsingtao, China, November 15, 1933.

MEMORANDUM:

CONDITIONS IN LAIYANG,  
SHANTUNG.

General

Generally speaking conditions in Laiyang, Shantung (on the Tsingtao-Chefoo highway about 70 miles north of Tsingtao) are very quiet. There is no banditry in that district, nor is there any activity on the part of bad characters, which would disturb the peace and order maintained therein. However, the city wall is reported to have been demolished and removed recently (as happened in several other hsien in East Shantung), presumably under instructions from Admiral Chen Hung-lich, Governor of Shantung as appointed by the National Government.

Political

Mr. Wang Hai-ju (王海如) was appointed about two months ago as magistrate at Laiyang by Admiral Chen Hung-lich and has since functioned in the usual manner without any difficulty. While he, assisted by several bureaus immediately under him, takes the leadership in general, all upcountry public affairs are taken care of by the principals of 20 Farmers' Training Schools in Laiyang, which are described in the following paragraphs.

Since the enforcement of a new system about three years ago in Laiyang, the whole district has been divided into 20 sections with a Farmers' Training School (鄉農訓練學校), under the direct supervision of the magistrate, in each one taking care of all public, political affairs, etc. This organization in fact is a public and political organ instead of an educational institution.

The school is now composed of a principal, a vice principal, several clerks and two-three hundred armed corps which are recruits raised locally at a certain fixed monthly salary and which are under the direct command of the principal of the school. About a year ago the corps were conscripted at the ages of 18 to 45 years, from almost all families residing in the district (except those very poor ones). They were serving in the school at specified intervals. This system was however abolished and substituted by the one mentioned above when the Japanese occupied Tsingtao.

Military

With no regular troops or forces of Communist army stationed therein, law and order in Laiyang are being

maintained

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 -

maintained by the 20 Farmers' Training Schools which, as described above, have been in existence for several years (at least three years if not more). Since the outbreak of the present hostilities the schools have been endeavoring to enlarge their forces and strength by enlisting more corps and establishing small arsenals which are reported to be capable of producing small arms and ammunition.

In December and January last the forces in Laiyang engaged the Japanese twice in fighting on the south and west borders, with altogether 200-300 casualties on the side of the Japanese and almost an equal amount of casualties on the Chinese side, including 50-100 corps and 100-200 farmers, women and children. During the engagements 10-20 villages were burned by the Japanese. The Japanese forces, however, reached only as far as about 15 li from the south border and 50 li from the west and did not venture to penetrate further. Several attacks are reported to have been made by the forces at Laiyang on the Chinese mercenaries at Pingtu but were repulsed.

#### Commercial

Trade in all lines throughout the district are practically at a standstill. Strict prohibition is imposed by the authorities on exports of native produce and imports of Japanese goods and severe searches are conducted of people passing through the borders. Persons found carrying Federal Reserve or yen currency are subject to death sentence and Japanese goods subject to confiscation. Suspects are subject to severe search and inquiry.

#### Agricultural

The year's harvest in Laiyang is not considered as good as last year, while prevailing selling prices of wheat, cereals, peanuts etc. compare favorably with those existing at this time last year. As stated above exports of agricultural products, particularly peanuts, peanut oil and bean oil, are strictly prohibited. However, farmers in Laiyang are reported to be enjoying their occupations and vocations.

#### Tax revenue

No land tax has been collected since the departure of the old magistrate in December last. So far only miscellaneous levies have been made by the Farmers' Training Schools for the maintenance of law and order, the expenditures of which, according to several persons from that place, are less than those in last year. The new magistrate is, however, reported to be demanding \$10,000 from each Farmers' Training School, or a total of \$200,000 from the whole hsien.

(signed)  
 C. H. SHEN

120

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

January 11, 1939.

~~JCV~~ JMB  
~~WAA~~ MHH

Shanghai's despatch No. 1848 of December 1 on the Central China Development Company reports the following from press articles:

The Company is intended to control the following "Sino-Japanese" organizations (with Yen capitalization as shown in brackets):

Central China Iron Mining Co.	(10,000,000)
" " Water and Power Co.	(25,000,000)
" " Telecommunications Co.	(15,000,000)
" " Fishing Co.	(50,000,000)
" " Bus Co.	(3,000,000)
Shanghai Inland Steam Navigation Co.	(2,000,000)

Shanghai Real Estate Co. (to take over confiscated property)

While all these enterprises were reportedly formed under the auspices of the "Reformed Government", all are controlled by Japanese, the bulk of the capital being allotted to them (i.e. the Development Co. or other Japanese interests) in return for a relatively small actual contribution, and practically all equipment and properties being "contributed" by Chinese. The statement of the Development Company's President Kodama, "We have no idea of monopolies", is belied by the manifest monopolistic purpose of all these enterprises and by the fact that, through restrictions on Occidental business, Japanese and "Sino-Japanese" enterprises operating in Central China have been enjoying virtual monopolies in their respective fields.

The



1204  
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

-2-

The despatch then states that the Development Company's Yen 100,000,000 capitalization may be sufficient to allow the Company's investment in many more enterprises (including harbor facilities, silk, cement, chemicals, flour, cigarettes, etc.) which are now being operated by Japanese; and that developments to date and the "Manchukuo" example make Occidental businessmen apprehensive.

You may care to glance at marked paragraphs of enclosures.

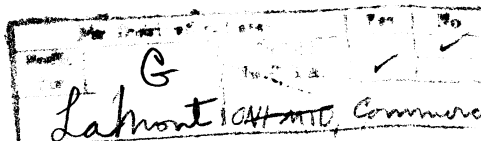
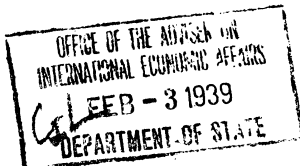
FE:Chase:JPS

NO. 1748

1016

AMERICAN CONSULATE GENERAL,

Shanghai, China, December 1, 1938.



SUBJECT: The Central China Development Company.

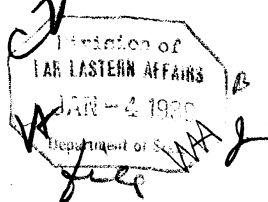
JAN 17 1939

RECEIVED  
DEPARTMENT OF STATE  
JAN 24 1939

HONORABLE  
THE SECRETARY OF STATE,  
WASHINGTON.

COMMUNICATIONS  
AND RECORDS

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



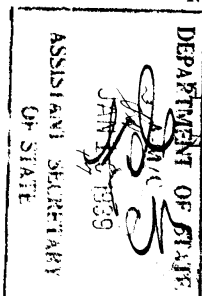
NOT TO BE PUBLISHED AS  
OFFICIAL INFORMATION.

I have the honor to (refer to my despatch No. 1293

793.94/12912

of March 24, 1938, entitled "The Central China Develop-

- 1/ ment Company," and to) enclose copies of a Domei press  
report of November 2, 1938, regarding the prospective  
2/ activities of (this organization,) and a press interview  
with Mr. Kenji Kodama, President of the company, which  
appeared in the NORTH CHINA DAILY NEWS, Shanghai, on  
November 11, 1938.



The Central China Development Company is apparently  
intended to control the following "Sino-Japanese" organi-  
zations:

1. The Central China Iron Mining Company.

This company is engaged in iron mining in  
the Yangtze Valley. The capital of this firm  
is reported to be Yen 10,000,000, half of which  
was reserved for the Central China Development

Company

793.94/14555

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- 2 -

Company and most of the remainder assigned to various Japanese iron and steel companies.<sup>(1)</sup> The company is reported to be operating iron mines near Wuhu at present.<sup>(2)</sup>

2. The Central China Water and Power Company.

This company is designed to control all of the electric power plants and waterworks in the Japanese-occupied areas of Central China.<sup>(3)</sup> The capital of this firm is reported to be Yen 25,000,000, of which Yen 15,000,000 is said to have been contributed by Chinese in the form of buildings and equipment, and Yen 10,000,000 allotted to various Japanese power and holding companies. Yen 5,000,000 of the Japanese portion of the capital is reported to have been paid up at the time the company was organized.<sup>(4)</sup> Possibly the remaining Yen 5,000,000 of the Japanese share will be taken up by the Central China Development Company. Chinese owners of waterworks and electric power plants are reported<sup>(5)</sup> to have been compelled to participate in the Central China Water and Power Company under threat of having their property confiscated.

3. The Shanghai Inland Steam Navigation Company.

This company's steamships are believed to be the only ones for which passes have been issued by the Japanese authorities granting permission to navigate the inland waterways of the Shanghai hinterland.<sup>(6)</sup>

-----

- (1) The SHANGHAI TIMES, April 9, 1938.
- (2) The SHANGHAI TIMES, April 21, 1938.
- (3) Domei News Service, June 30, 1938.
- (4) Domei News Service, June 30, 1938.
- (5) The SHANGHAI TIMES, July 31, 1938.
- (6) FINANCE & COMMERCE, Shanghai, August 3, 1938.

The

- 3 -

The capital of the company, Yen 2,000,000, is reported<sup>(1)</sup> to have been allotted as follows: Yen 600,000 to the Japanese Government, Yen 600,000 to the "Reformed Government" in Central China, Yen 400,000 to the Osaka Syosen Kaisya, the Japanese steamship line formerly known as the Osaka Shosen Kaisha, and Yen 400,000 to shippers "whose vessels will make the operation of the company possible."<sup>(1)</sup> It is reported that many boat owners consider that the compensation offered them for participation in the company is inadequate and are permitting their vessels to remain idle.<sup>(1)</sup>

4. The Central China Telecommunications Company.

The announced purpose of this company is to take over "the operation and exploitation of telecommunications in the Yangtze Valley area."<sup>(2)</sup> The term "telecommunications" is apparently intended to include telephone, telegraph and radio services. The capital of the company is reported<sup>(2)</sup> to be Yen 15,000,000 of which Yen 5,000,000 was "invested in kind by the Chinese"<sup>(2)</sup> and the remainder subscribed by Japanese who paid up Yen 5,000,000 at the time the company was formed. The investment in kind by Chinese probably consists of buildings and equipment.

Although, insofar as is known, there has been no announcement that the Central China Telecommunications Company will be given a monopoly of the telephone, telegraph and radio services in the Japanese-occupied portions of the Yangtze Valley area, it is believed that it is intended to function as a monopoly company.

At

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(1) FINANCE & COMMERCE, Shanghai, August 3, 1938.  
(2) Domei News Service, July 31, 1938.

- 4 -

At present it is said<sup>(1)</sup> to be operating telephone services in practically all of the lower Yangtze Valley area, outside of the International Settlement and the French Concession of Shanghai. It is reported<sup>(2)</sup> to have taken over on September 23, 1938, the Soochow Telephone Company, with property valued at Yen 1,700,000, and subsequently announced that it would restore telephonic communications between Shanghai and Nanking by the end of November, 1938.<sup>(3)</sup> Insofar as is known, there has been no announcement that the Central China Telecommunications Company desires to obtain control of the Shanghai Telephone Company (American) operating in the International Settlement and French Concession of Shanghai. The assets of this company are now valued at several times the Yen 15,000,000 at which the Central China Telecommunications Company is capitalized.

5. The Shanghai Real Estate Company.

This organization is reported to have been formed at Shanghai on September 1, 1938. Insofar as can be ascertained the company has not as yet entered the local realty market and no information is available as to its capitalization. Perhaps it is still in a preliminary stage of organization. A local American real estate dealer expects that this or some other Japanese realty company will be established in Shanghai soon to take over "confiscated" property. He comments that this will be the first significant Japanese owned or controlled realty company to operate in Shanghai.

6. The

- 
- (1) Automatic Telephone of China, Federal Incorporated, U.S.A. (Conversation with an engineer.).  
(2) Domei News Service, September 23, 1938.  
(3) Domei News Service, November 11, 1938.

- 5 -

6. The Central China Fishing Company.

This company was organized on November 6, 1938, and is apparently intended to control the marine products industry of Central China. It is reported to be capitalized at Yen 50,000,000. Its activities are said<sup>(1)</sup> to include the supervision and management of the marketing of marine products in Central China including Shanghai, the operation of fishing vessels, the distribution of fish nets, the manufacture of ice for cold storage, and the refrigeration of fish for transportation. It is believed that this firm has been given a monopoly on fishing in Central China by the "Reformed Government". Chinese participants in the company are believed to have contributed their fishing vessels and equipment. No information is yet available regarding any Japanese contribution.

7. The Central China Bus Company.

This company was organized on November 5, 1938, and is believed to enjoy monopolistic rights with respect to the operation of motor busses in Japanese-controlled regions surrounding Shanghai. It is reported that this firm will operate bus services in Shanghai, Nanking, Hangchow, Soochow, Wusih, Changchow and Chin-kiang. Possibly it will also operate bus services between those cities. Out of a capitalization of Yen 3,000,000, Yen 2,500,000 are reported to have been contributed by Japanese and Yen 500,000 by Chinese. The extraordinary predominance of Japanese capital in this particular firm may have been due to the lack of

Chinese-owned

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(1) THE CHINA PRESS, November 8, 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

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Chinese-owned busses that could be taken over.

All of the foregoing enterprises are reported to have been formed under the auspices of the "Reformed Government" of Central China. However in all cases the companies are actively directed and controlled by Japanese. In the Central China Telephone and Telegraph Company, the Central China Water and Power Company, the Shanghai Inland Steam Navigation Company, and the Central China Fishing Company, the Japanese contribution either in money or in equipment is believed to have been very small. The Chinese participants, who were allotted only a minority interest, are believed to have contributed or supplied practically all of the equipment and property of the new companies.

It is difficult to understand the following statement credited to Mr. Kodama in his press interview<sup>(1)</sup> concerning the Central China Development Company: "We have no idea of monopolies." All of the organizations now operating in Central China in which it has been announced that this firm will participate are obviously monopolistic.

Actually, under present conditions of trade and travel in Central China, virtual monopolies in their respective fields are possessed by Japanese and recently formed "Sino-Japanese" enterprises operating in this area. Rigid restrictions are enforced against the movement of all Occidentals in this region and against the shipment of all goods except through a Japanese intermediary. American and other Occidental business men experience extreme difficulty and irksome delays in  
obtaining

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(1) See Enclosure No. 2 to this despatch.

- 7 -

obtaining Japanese permits to travel outside of Shanghai. Japanese business men, on the other hand, are able to travel without any apparent restriction. In addition a registration system for manufacturing enterprises<sup>(1)</sup> has been introduced in regions of Central China under Japanese control. While this registration system may be used to hamper, if not prevent, independent investments by Occidentals in manufacturing enterprises in Japanese-controlled Central China, it is repeatedly stated that such investments will be welcomed in Japanese or "Sino-Japanese" enterprises.

The Yen 100,000,000 capitalization of the Central China Development Company may be sufficient to permit it to invest in many enterprises in addition to those announced up to the present time. Such enterprises might include the building and operation of docks and shipyards, and the production of silk, cement, chemicals, alcohol, cotton textiles, iron, steel, flour, and cigarettes. Japanese or "Sino-Japanese" firms are now engaged in all of these enterprises in Shanghai or its environs. The Central China Development Company may also invest in railways.

The Central China Development Company may become one of the most important business enterprises in the Yangtze Valley area. As long as Japanese dominance in this region continues, the semi-official status of this organization will probably permit it to enjoy privileges which would be denied to private firms. From observations in Manchuria it has been noticed that an industry coming under Japanese control usually ceases to be a market

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(1) British Chamber of Commerce Journal, Shanghai, June 1938.

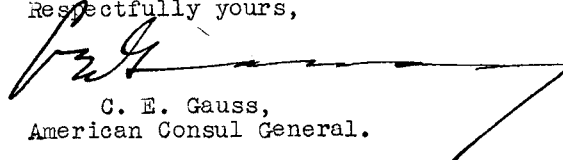


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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

- 8 -

market for American or other Occidental merchandise, unless similar goods can not be obtained in Japan. In that case the goods are usually purchased only through Japanese intermediaries. In view of the foregoing and the fact that the subsidiaries of the Central China Development Company now possess in practice monopolies in their respective fields, Occidental businessmen interested in the Central China market are becoming increasingly apprehensive with regard to the activities of this firm.

Respectfully yours,



C. E. Gauss,  
American Consul General.

✓  
Enclosures:

- 1/- Copy of a Domei press report, November 8, 1938;
- 2/- Copy of an article from the NORTH CHINA DAILY NEWS, Shanghai, November 11, 1938, regarding a press interview with Mr. Kenji Kodama.

860.2  
GDL/Th/sfk

In quintuplicate to the Department;  
Copy to Embassy, Peiping;  
" " " Chungking;  
" " " Tokyo;  
" " Commercial Attaché, Shanghai.

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. 1848 of C. E. Gauss,  
American Consul General at Shanghai, China, dated  
December 1, 1938, on the subject: "The Central China  
Development Company."

(COPY)

DOMEI  
LOCAL NEWS AND TRANSLATION SERVICE

November 8, 1938.

Seven C.C.D.C. Subsidiaries Already Operating,  
Survey Shows.

Seven Sino-Japanese firms, chartered by the  
Reformed Chinese Government of Nanking, already in opera-  
tion in Central China will come under the control of the  
Central China Development Company, ¥ 100,000,000, holding  
concern formally inaugurated in Tokyo on Monday, a Domei  
survey revealed yesterday.

These subsidiaries are engaged in iron mining,  
electric power and light supply, telegraph communications,  
inland navigation, realty and fishing.

The Iron Ore Company, organized in Shanghai on  
April 8, aims at the annual production of 1,000,000  
tons of iron ore in Anhwei and Kiangsu provinces.

The first shipment of 7,000 tons of iron ore to  
Japan was made on Oct. 26, the second consisting of  
3,000 tons on Oct. 31, while a third is scheduled for  
Nov. 10.

The Central China Water and Power Company, organized  
on June 30, is now engaged in business in Greater Shanghai,  
excluding the International Settlement and the French  
Concession, Nanking, Soochow, Hangchow, Kiukiang and  
other cities.

Organized on July 28, the Shanghai Inland Steamship  
Navigation Company operates services from Shanghai to  
Soochow, Wusih, Yangchow and other cities.

Telephone and telegraph communications in the lower  
Yangtze area are being restored by the Central China  
Telephone and Telegraph Company which came into being  
on July 31. Radio communications from Shanghai are  
being maintained by this firm to Tsingtao, Tientsin,  
Dairen, Hongkong, Japan, Manila, and America. Direct  
circuits with Europe are expected to be opened next  
spring.

A realty company in Shanghai, organized on Sept. 1,  
expects to begin transactions in February, while a  
fisheries company formed on Sunday will control the  
sale and distribution of sea food.

An interurban motorbus company also was created  
on Nov. 5.

Copied by: [Signature]  
Compared with: [Signature]

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

Enclosure No. 2 to despatch No. 1848 of C. E. Gauss,  
American Consul General at Shanghai, China, dated  
December 1, 1938, on the subject: "The Central China  
Development Company."

(From the NORTH CHINA DAILY NEWS,  
(COPY) Shanghai, dated November 11,  
1938.)

#### CENTRAL CHINA CHARTER FIRM POLICIES TOLD

Mr. Kodama Defines Guiding Principles;  
Foreign Aid Unasked.

Tokyo, Nov. 9.

"I will, as one of my guiding principles, try to make Shanghai flourish as an international market," said Mr. Kenji Kodama, 67-year-old president of the newly-formed Central China Development Company, in an interview. "Shanghai," he declared, "has had a great past, but I see before it an even greater future."

The Central China Development Company, Mr. Kodama explained, was capitalized at Y.100,000,000, of which half was to be subscribed by the Imperial Government and the other half by the general public. The company, which will have its head office in Shanghai, came formally into existence on November 7. A quarter of its capital, Mr. Kodama said, had already been paid up.

Mr. Kodama, who was formerly president of the Yokohama Specie Bank, emerged from retirement to head the new company at the special request of the Prime Minister, Prince Konoye.

The concern will operate as a holding company, and will develop almost every branch of commercial enterprise, including railways, waterwork, power-plants, shipping, mining, and telephone, telegraph and wireless systems.

Its first task, Mr. Kodama said, would be to reconstruct damage resulting from the hostilities, and the second to develop entirely new enterprises.

#### "No Idea of Monopolies"

"We have no idea of monopolies," Mr. Kodama emphasized. "Although we will not solicit it, we shall welcome foreign co-operation. My management will be on a fair basis. We shall not try to eliminate existing foreign enterprises."

"I am hoping," Mr. Kodama continued, "that the foreign Powers will show a sympathetic understanding. I will not say that they have been hostile, but they certainly have not been too friendly. They have shown a lack of understanding so far, but I hope their attitude will change."

Asked

-2-

Asked whether the policies of his company would be directed by the Army, Mr. Kodama said: "No. We shall operate as a purely commercial enterprise. There are no Army officers on the board of directors. The selection of directors was left entirely in my hands, and I have chosen businessmen without any connection with the Army."

Mr. Chamberlain Criticized.

Mr. Kodama criticized the recent speech in the House of Commons in which the British Prime Minister, Mr. Neville Chamberlain, said Japan could not develop China without Great Britain's financial help.

"Mr. Chamberlain," he said, "seems either not to understand the situation quite correctly, or he might have been misquoted, or meant more than he said. True, we should need capital if we had to complete our work in a hurry by a certain fixed date. But that is not going to be the case. We aim at working principally for the happiness of the Chinese people. There is under our command plenty of labour and food, the organizing power of Chinese and Japanese brains and ample natural resources to exploit. If we go along slowly, we do not think we shall have to depend upon foreign financial help, although this does not mean to say that our policy will be to exclude it."

Chinese Intimidated.

Asked if Chinese business leaders in the occupied areas had shown any disposition to co-operate with the Japanese in their commercial enterprises, Mr. Kodama replied: "Yes, they have, but fear of assassination by General Chiang Kai-shek's agents has hindered greater participation."

The Central China Development Company, Mr. Kodama said, was a purely Japanese concern, but its affiliated and subsidiary companies would be joint Sino-Japanese enterprises.

Replying to a question whether third-party capital would be welcome, he said: "That depends on the circumstances. If third parties show a friendly attitude towards us, we will not refuse their co-operation; in fact, we should be glad and willing to have it."

Although his Company was purely a commercial concern, its work, Mr. Kodama declared, would in a sense be political. He was eager to improve the relations between Japan and the foreign Powers, and he would do nothing which would tend to exclude foreign business from China. It was entirely wrong to suppose that foreign firms would lose their trading rights in China.

"If

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

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### "If Shanghai Flourishes"

Referring particularly to Shanghai, Mr. Kodama said: "If Shanghai flourishes, then Japanese business will flourish, and there is no reason why foreign business should not also expand."

The damage to industries in the war areas in Central China, he went on, was extensive, but not quite so extensive as might have been expected.

He did not anticipate difficulties in obtaining labour for construction purposes. In the main, the workers would be Chinese, but there would be Japanese among the foremen.

Mr. Kodama said that the president and vice-president of the Central China Development Company would be Government appointees.

The Board would consist of the president, the vice-president, and three directors.

#### Members of Directorate.

The vice-president was Mr. K. Hirasawa, formerly vice-Minister of Communications, and the directors Mr. "Tiger" Kanai, who was well known in Shanghai; Mr. Sonoda, of the foreign department of the Yokohama Specie Bank, and Mr. Aburat Tani, managing director of the Sino-Japanese Association, who was considered an expert on Chinese Affairs.

Known throughout Japan as a liberal, Mr. Kodama served for about 50 years with the Yokohama Specie Bank, and is considered the dean of Japanese bankers. He was offered the post of Minister of Finance three years ago, but declined it. In his younger days he had a great reputation as a swordsman.

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Copied by: *M*  
Compared with: *2*

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

NO. 1852

AMERICAN CONSULATE GENERAL,

Shanghai, China,  
December 5, 1938.

File Date by on Check	✓	No
(Initials)	M	
For	Paxton	
In U.S.A.		

RECEIVED  
DEPARTMENT OF STATE  
JAN 3 PM 1050  
SUBJECTS  
RECORDS  
THE HONORABLE  
THE SECRETARY OF STATE

Intelligence Summaries for the  
Month of November 1938.



WASHINGTON.

793  
SIR:  
DEPARTMENT OF STATE  
JAN 24 1939  
A-M/C  
ASSISTANT SECRETARY  
OF STATE

I have the honor to refer to my despatch no. 114465 of November 2, 1938, and to enclose, as of possible interest to the Department, copies of intelligence summaries for the month of November 1938, prepared by the Intelligence Officer of the United States Fourth Marines.

Respectfully yours,

*C. E. Gauss*  
C. E. Gauss,  
American Consul General.

Enclosure:

- 1/ - Intelligence summaries  
for November 1938.

800  
JHP:fc

In Single Copy.  
Copy to Embassy, Peiping.  
Copy to Embassy, Chungking.

793.94/14556

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FILED  
JAN 24 1939  
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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

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E.O. 11652, Sec. 3(E) and 5(D) or (E)  
OSD letter, May 3, 1972  
By RO NARS Date 3/19/73

Copy

HEADQUARTERS, FOURTH MARINES  
SHANGHAI, CHINA

5 November 1938

RESTRICTED

R-2 REPORT, PERIOD 0800 3 NOVEMBER, TO 0800 5 NOVEMBER, 1938

OPERATIONS

Hankow: After driving through the Tapien mountains the Japanese troops which captured Macheng entered Hankow on November 2nd. En route from Macheng these troops, in mopping up the sector northeast of Hankow, passed through Sungfow then south to Sinchow, west to Hwangpei and then along the highway into Hankow.

North of the Yangtze Japanese detachments are said to be attacking Chinese positions on the Hankow-Ichang highway north-east of Kingshan.

South of the Yangtze: Puchi, on the Canton-Hankow railroad 36 miles southwest of Sienning, was claimed captured by a Japanese detachment on the 2nd. Tungshan, south of Sienning on the banks of the Fu River, was reported captured on the 4th. Kiayu, on the Yangtze about 47 miles upstream from Hankow, was announced captured on the 3rd.

In Kwangtung heavy infantry and cavalry movements from Canton toward the west were reported on 2 November. A doubtful Chinese report states that about 200,000 Kwangsi troops have left Wuchow for Canton with orders to recapture the city. The same communique adds that 10,000 Japanese reinforcements have arrived in the Tsungfa sector north of Canton.

Mopping-up operations south of Canton continue. Fighting is reported west of Samshui.

MISCELLANEOUS

The British gunboat Cicala, despite warnings from the Japanese that the Pearl River is full of mines, sailed from Canton for Longmoon. It arrived safely at its destination.

Wuchow, an important Kwangsi city on the north bank of the West River near the Kwangtung border, is reported making preparations to defend the city if the Japanese advance up the West River from Canton.

(Sgd.) J. S. Monahan  
J. S. MONAHAN  
Major, U. S. Marine Corps,  
Regimental Intelligence Officer.

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Copied by FC  
Compared with MB

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

HEADQUARTERS, FOURTH MARINES  
SHANGHAI, CHINA

3 November 1938

RESTRICTED

R-2 REPORT, PERIOD 0800 to 1 NOVEMBER, TO 0800 2 NOVEMBER, 1938

Operations

SOUTH OF THE YANGTZE Japanese detachments advancing along the Canton-Hankow railroad captured Hwopu on the afternoon of the 1st. The town is 19 miles southwest of Sienning.

WEST OF HANKOW AND SOUTH OF LAKE SI Japanese occupied Sinchiaow on the 1st. This detachment continued its westward march.

SIACKAN, a strategic town on the southern section of the Pinghan railroad about 35 miles northwest of Hankow, fell before the Japanese advance on the 30th. After its capture the troops drove southwest and captured Changkiangfow.

IN ANHWEI PROVINCE, south of the Yangtze River and near Anking, a Japanese column is reported driving southward from Kweichow from which town the Chinese withdrew on the 29th.

IN NORTHEASTERN SHANSI the Japanese have announced that the Wutai mountains have been cleared of the Chinese 8th Route Army. The drive against these Communist troops was begun in late September.

Miscellaneous

The Italian government has announced to the Japanese government at Tokyo, and to the Japanese Consul-General in Shanghai that the Italian troops in Shanghai are to be withdrawn in the near future. ✓

The raimondo Montecuccoli, Italian cruiser, left for Italy on November 1st. It is to be replaced by the cruiser Colleoni.

Wang Keh-min, chief delegate of the Provisional Government to the Joint Commission for the Amalgamation of the Peking and Nanking governments, accompanied by his staff, is in Nanking conferring with the Reformed Government. A preliminary meeting of the Joint Commission was held on the evening of the 1st.

There will be no map with this report.

(Sgd.) J. S. Monahan  
J. S. MCNAHAN  
Major, U. S. Marine Corps  
Regimental Intelligence Officer.

Copied by FC  
Compared with MB



HEADQUARTERS, FOURTH MARINES  
SHANGHAI, CHINA

8 November 1938

RESTRICTED

R-2 REPORT, PERIOD 0800 5 NOVEMBER, TO 0800 8 NOVEMBER, 1938

OPERATIONS

SOUTH OF THE YANGTZE the offensive of the Japanese is converging by three routes on Yochow, strategically located town at the mouth of Tungting Lake and on the Canton-Hankow railway. A naval force has reached Kiayu on the Yangtze. One column of Army troops is pushing down the railroad. A Detachment of this column succeeded in reducing Sintienchen located on the Hupeh-Hunan Border west of the Canton-Hankow railroad on the 6th while another detachment on the same day captured the town of Wulipai located on the railroad and on the highway between Tsungyang and Yochow. A third column operating east of the railroad occupied Tsungyang and pushed about four miles south of that city along the Chun River valley on the 6th.

NORTH OF HANKOW and west of the Pinghan railroad Maping has been occupied by a Japanese detachment, another column driving southwest from Anlu has reduced Sangshutien while a third has taken Tsaoshih 14 miles east of Yingcheng.

EAST OF THE PINGHAN railroad extensive mopping up operations are in progress against the Chinese troops still remaining in the Hwangan sector of the Chengchow plain south of the Tapieh mountains.

IN KWANGTUNG Canton reports state that heavy troop movements to the west and north of the city continue. Guerilla fighting is reported in the area east and southeast of Canton.

AVIATION: Japanese air squadrons continue active in Central China. Ichang west of Hankow, Changsha to the south have been bombed. In addition the air squadrons continue to aid the advance of the land forces. A squadron of about 20 Japanese bombers raided Liangshan aerodrome in Szechwan on the 5th. It is reported they were engaged by Chinese pursuit planes. In Kwangtung, Yingtak continues to be a focal point for bombing raids.

MISCELLANEOUS

The Japanese consulate General at Hankow was officially reopened on November 5th.

Two bombings occurred in Shanghai on the 6th. One happened outside the Settlement boundary while the other took place on Bubbling Well Road. Six British soldiers were injured at the latter outrage.

General Chang Fa-kwei with twenty Hunanese divisions is said assigned the task of defending Changsha.

*[Signature]*  
Major, U.S. Marine Corps,  
Regimental Intelligence Officer.

HEADQUARTERS, FOURTH MARINES  
SHANGHAI, CHINA

10 November, 1938

RESTRICTED

R-2 REPORT, PERIOD 0800 8 NOVEMBER, TO 0800 10 NOVEMBER, 1938

OPERATIONS

Japanese columns north and south of the Yangtze continue pressing the retreating Chinese not allowing them sufficient time to reorganize their commands and to establish defenses.

NORTH OF THE YANGTZE Japanese advancing along the Hankow-Shasi highway have reached Liuho about 10 Kilometers southeast of Tsaoshih.

Another column moving northwest toward Kingshan from Tsaoshih has arrived at Yunghsin where they have been halted.

Farther north a third column moving along a highway into northwestern Hubei is fighting in the vicinity of Suhsien. The latter city is 85 Kilometers (53 miles) southwest of Sinyang.

SOUTH OF THE YANGTZE Japanese troops moving southward toward the Chinese stronghold of Tungcheng, on the 8th, had reached a point 15 miles (24 kms) north of their objective. At noon the following day these troops battered their way into Tungcheng and captured the city.

Other troops west of the Canton-Hankow railroad crossed the Hubei-Hunan border in the vicinity of Tuanwushan on the 8th. Another unit moving southward from Puchi reached a point about 19 miles distant from the latter city. On the 9th these forces straddling the railroad in their drive toward Yochow reduced Chinese positions at Tanglowkang. Yunglowtung fell on the 8th. Continuing the advance on the 9th, army troops were reported to have completed the occupation of Yanki about 15 miles from Yochow, and then to have advanced to within 7 miles of their objective by sunset.

Operating from naval craft, Naval Landing Party units landed on the north bank of the Yangtze at Sintien about 39 miles from Yochow on the 8th. Naval vessels continuing upriver were reported to have advanced to within approximately 20 nautical miles of Yochow by the 9th.

IN KIANGSI PROVINCE the cities of Wuning and Siushui, on the Sui River midway between Tehan and Yochow, are reported still in Chinese hands but isolated from the Chinese command.

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

IN SOUTHWESTERN SHANSI fighting is reported increasing along the Yellow River. The Japanese are believed preparing to cross the river at Fenglingtu and Chuantu for a drive on Sian.

IN KWANGTUNG naval vessels continue minesweeping operations in the Pearl River Delta. No information has been reported regarding Army operations.

#### AVIATION

Japanese planes, on the 8th, attacked Chengtu, capital of Szechuen province, for the first time since the beginning of hostilities. Hengyang aerodrome in Hunan was raided on the 7th and 8th. Heavy damage to grounded Chinese planes was claimed by the Japanese in all raids. In south China routine bombings continue.

#### LOCAL

Terrorists threw four grenades, 3 of which exploded, at 65 Gordon Road on the evening of the 9th while a party of Formosans and Chinese were reported being entertained by a member of the Japanese Special Service Section at this address. One Chinese servant was reported injured.

*J. S. McManis*  
J.S. MCMANIS  
Major, U.S. Marine Corps,  
Regimental Intelligence Officer.

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HEADQUARTERS, FOURTH MARINES  
SHANGHAI, CHINA

12 November, 1938

RESTRICTED

R-2 REPORT, PERIOD 0800 10 NOVEMBER, TO 0800 12 NOVEMBER, 1938

OPERATIONS

SOUTH OF THE YANGTZE Japanese forces converging on Yochow by way of the Yangtze river and the Canton-Hankow railroad entered the city, their first major objective, enroute to Changsha, on the evening of the 11th. Previous to the entrance naval vessels on the 10th had landed army troops on both banks of the Yangtze at Linsiang, 19 miles northeast of Yochow, and in the vicinity of a small town, 5 miles below Yochow. These latter troops cooperated with the forces, which had reached the heights overlooking the city by way of the Canton-Hankow railroad on the 11th, in gaining an entrance into the city.

The column moving south from Tungcheng, reached a point six miles distant on the road toward Pingkiang by the morning of the 10th.

IN KWANGSI the Chinese troops concentrated in the vicinities of Siashui and Wuning on the Siu River are reported withdrawing westward.

NORTH OF THE YANGTZE heavy fighting continues in the Suihsien sector where a Japanese column is striking toward Hsiangyang in northwestern Hupeh.

The Japanese unit advancing toward Shasi is reported engaged in the vicinity of Tiennen.

IN KWANGTUNG the Japanese advance still remains in the Samshui and Tsungfa vicinity while mopping-up operations continue in the area already taken. In addition they are reported to be holding Hsinchieh, 19 miles north of Canton, and Fayun, 28 miles northwest of the city. The Chinese claim forces are pushing southward toward Canton. They state Chiangtsun, west of the Canton-Hankow railroad, Talang and Chiahosze, east of the railroad, are captured. They add that Hweiyang, near Poklo on the East River, is also expected to be taken soon.

MISCELLANEOUS

A Japanese communique has announced that railroad traffic on the Canton-Hankow railroad from Wuchang southward for a distance of about 50 miles will be resumed on 15 November. The Chinese withdrew so rapidly along the railroad that they had no time to destroy it.

*J. S. Monahan*  
J. S. MONAHAN

Major, U.S. Marine Corps,  
Regimental Intelligence Officer.

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

HEADQUARTERS, FOURTH MARINES  
SHANGHAI, CHINA  
15 November, 1938

RESTRICTED

R-2 REPORT, PERIOD 0800 12 NOVEMBER, TO 0800 15 NOVEMBER 1938.

OPERATIONS.

IN NORTHEASTERN HUNAN PROVINCE Japanese troops completed the occupation of Yochow by the morning of the 12th. Naval vessels were being held up by an elaborate boom across the Yangtze 2 miles above Loshan near Yochow. They finally reached Yochow on the afternoon of the 13th. Army troops continued the southward advance. By evening of the 13th one column had reached a point 6 miles south of Yochow. A second detachment was deployed in an area 9 miles south of the city.

Farther south, at Changsha, the Chinese were reported engaged in destroying the aerodrome on the morning of the 12th. Much foreign and Chinese property is reported as having been destroyed. The civilian population, in a general exodus, has begun to evacuate the city. It is reported by a foreign correspondent that the Chinese are preparing for a major battle to take place in the Hunan hills south of Changsha.

IN HUPEH about 7 Chinese divisions which retreated from Anlu are reported concentrated in the Suihsien area under Generals Liu Ju-ming and Wei Yun-sung. Japanese troops garrisoned at Tayeh southeast of Hankow are reported to have recently routed a band of Chinese irregulars east of Wuchang.

IN KWANGTUNG unconfirmed Chinese reports state that they have recaptured Tamshui and Weichow east of Canton. The Chinese also claim they have recovered Fahsien (west of Tsungfa) and Lungmoon (north of Poklo). Hopping-up operations against Chinese guerillas continue, according to Japanese information.

IN KIANGSU skirmishes with Chinese irregulars near Wusih and in the vicinity of Hangchow in Chekiang were announced numbering 308 during September and October. Hopping-up operations in the hilly regions near Kashing and in the vicinity of Wukiang in Kiangsu continue.

IN SOUTHERN SHANSI guerilla bands near Sanlulitsun and in the Chungtiao mountains were reported routed recently. Japanese artillery shelling the Lunghai railroad from across the Yellow River near Tungkwan, on the 13th, claimed to have cut the railroad.

AVIATION

IN HUPEH PROVINCE Suihsien, 31 miles northwest of Anlu, was heavily bombed on the 12th. Other Central China points raided recently include Hwangsha Station (Hunan) on the Canton-Hankow railroad; Chinese troops south of Tungchen, Hupeh; Kinkwa (Chekiang) on the Hangchow-Wanchang railroad; Kungan in southern Hupeh, and the vicinities of Changteh and Taoyuan in northern Hunan. In South China naval planes have attacked the vicinities near Taping, Tsingyun and Pingkong in Kwangtung.

*H. S. Walcott, 12/14*  
for  
J. S. MOHANAN  
Major, U.S. Marine Corps  
Regimental Intelligence Officer.

12221  
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

HEADQUARTERS, FOURTH MARINES  
SHANGHAI, CHINA  
17 November, 1938

RESTRICTED

R-2 REPORT, PERIOD 0800 15 NOVEMBER, TO 0800 17 NOVEMBER, 1938

OPERATIONS

IN HUNAN fighting is reported on the railroad at Huangshachai about 50 miles north of Changsha. Meanwhile Japanese cavalry detachments are said to have penetrated to Pilo about 16 miles further south. According to other Japanese reports Chinese troops at Siangyen, near Tungting Lake, are abandoning their positions while troops concentrated about Changsha are said to be moving southward toward Hengyang.

IN HUPEH Japanese troops near Kingshan, northwest of Hankow, are reported pushing northwestward toward Chungsiang on the Han River southeast of Siangyang. Another detachment is said to be attempting to circle around the right wing of the Chinese forces in this sector. Japanese army planes on the 14th attacked Chinese troops in the southern slopes of the Tapien mountains near Lotien and Yingshan, two Chinese strongholds that Japanese forces have never occupied near the Hupeh-Anhui border.

IN KWANGSI the Chinese lines between Suishui and Wuning, on the Sui River, are reported intact in spite of the southward thrusts of the Japanese toward Nanchang and Changsha. However it is reported that these troops in small groups are withdrawing toward the southeast and southwest. Japanese and Chinese forces north of Nanchang are facing each other across the Sui River south of Tehan. There is little activity in this sector.

IN KWANGTUNG Japanese troops are said to be preparing defences near Tsungfa, about 38 miles northwest of Canton. Chinese troops are reported concentrated on a line extending from Tsungfa west to Fahsien. Other Chinese units are said to have advanced to Leungkowhu, east of Tsungfa, about half way to Lungmoon. The Japanese state that no engagements have been reported along these lines. However Chinese reports state that severe fighting is taking place near Cantons' outskirts.

IN SHANTUNG during September and October the Japanese authorities announce that 25,000 Chinese guerillas and bandits surrendered to "nopping-up" detachments based at Tsingtao.

IN SHANSI operations against guerilla units are reported progressing favorably. Clashes have taken place near Lingkiu and Changtienchen, in the northern part of the province; and at Henglingkwan, southwest of Hwailai on the Peiping-Suiyuan railroad in southern Chahar. Japanese artillery continues shelling the Lunghai railroad at Tungkwan from positions across the Yellow River at Fenglingtu.

AVIATION

Japanese aircraft raided Chengtu, capital of Szechwan province on the 15th. They have also bombed Lanchow, Ninghsia. The Japanese planes were reported engaged by Soviet built planes. Sian, Shensi was attacked on the 16th.

LOCAL

Guerilla activity in the vicinity of Saohsing, southwest of the French Concession on the 15th, was reported by a reliable foreigner.

*J. S. Monahan*  
Major, U. S. Marine Corps  
Regimental Intelligence Officer.

1224

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

HEADQUARTERS, FOURTH MARINES  
SHANGHAI, CHINA

19 November, 1938

RESTRICTED

R-2 REPORT, PERIOD 0800 17 NOVEMBER, TO 0800 19 NOVEMBER, 1938

OPERATIONS

IN HUNAN heavy fighting is reported along the Li River. The Japanese forces have advanced to the vicinity north of Pingkiang, near Nanchiangchiao and Heisien, while along the railroad the troops are said to have reached Pailo. According to Japanese reports the Chinese are in full retreat along the entire front extending from Changsha eastward to Hanchang.

IN HUPEH near the Anhwei border Lotien was reported captured by the Japanese on the morning of the 17th during "mopping-up" operations in this sector. Other detachments, supported by artillery units, have commenced a drive against Yingshan in southwestern Anhwei. Naval forces on the Yangtze captured the Chinese gunboat "Minsheng" at a point upstream from Yochow on the 16th. On the Yangtze, Yanglinshan, opposite Linsiang was occupied on the 17th, by naval troops. The Chinese claim Kingshan, on the Hankow-Ichang highway northwest of Hankow, still remains in their hands.

IN WESTERN KIANGSI Chinese troops engaged in withdrawing from their positions along the Siu River are reported to have set fire to Suishui and Santu. In addition they are reported to be destroying the Wuning-Chatsin highway.


IN KWANGTUNG Chinese reports of victories and the consequence nearing of Chinese forces to Canton continue to be announced. Other reports from South China indicate that the Japanese may be abandoning their garrisons along the route from Canton to Bias Bay now that they have secured control of the Pearl River as a means of bringing troops and supplies into the city. Heavy troop movements from the east into Canton have been observed to substantiate the possible Japanese withdrawal from the Bias Bay-Weichow area. About 40 Japanese warships are reported anchored in the Pearl River.

IN HOPEI on the 12th, Guerilla skirmishes were reported northeast of Tangshan on the Peiping-Hukden railroad, south of Paoting on the same day and west of Potowchen on the 11th.

AVIATION

IN HUNAN on the 16th, aircraft units bombed the Canton-Hankow railroad from Chuchow to Hengshan. Ichang was twice bombed on the 17th, In Shensi, Sian was attacked by four Japanese squadrons.

Other units bombed Lungchow and Liuchow in Kwangsi province.

  
J. S. MONAHAN  
Major, U.S. Marine Corps,  
Regimental Intelligence Officer.

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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

HEADQUARTERS, FOURTH MARINES  
SHANGHAI, CHINA

22 November, 1938

RESTRICTED

R-2 REPORT, PERIOD 0800 19 NOVEMBER, TO 0800 22 NOVEMBER, 1938

OPERATIONS

ANHWEI: According to Chinese sources Chinese troops recaptured Hsuancheng southeast of Wuhu on November 17th. In the Tapieh range in the southeastern part of the province Yingshan was captured on the 19th. Reports indicate remnants of six Chinese divisions left in this area are being pursued into the Tapieh mountain fastness while "mopping-up" operations continue around Yingshan.

HUPEH: The Japanese claim Chinese troops west of the Pinghan railroad and north of the Yangtze, under General Li Tsung-jen the Kwangsi military leader are beginning to withdraw southward.

KIANGSU: A guerilla band on the north bank of the Yangtze opposite Chinkiang said to belong to the newly organized Chinese Fourth Route Army was reported routed recently.

CHEKIANG: Wide spread Chinese troop movements have been reported along the south bank of the Chientang River toward Siaoshan the railroad opposite Hangchow.

KIANGSI: According to Chinese sources the Japanese advance in the northern part of this province is being held up by the Siu River.


HUMAN: According to the Chinese the Japanese southward advance along the Canton-Hankow railroad and along the Wuchang-Changsha highway, has been halted. Reports indicate the Chinese will make a stand on a line extending from Siangyin through Pingkiang to Hanchang.

KWANGTUNG: The Japanese continue to deny Chinese reports of successes in the vicinity of Canton. They further state that they have cleared an area of from 30 to 60 Kilometers around the city.

SHANSI: In the southwestern corner of the province Japanese artillery continues the daily shelling of Tungkwan.

AVIATION

Chinese military headquarters at Yulin and Shennu, Shensi province were bombed on the 19th. Yenai the provincial capital was attacked the following day. Sian continues to be a focal point of air raids. In Kwangsi, Hohsien, Kweipinghsien, Nanning and Wuning were bombed the 20th. In Kwangtung Chinese military establishments and truck columns near Yangyun and Lin-hsien were bombed. Ichang in Hupeh was also attacked on the 20th.

  
J. S. MONAHAN  
Major, U.S. Marine Corps,  
Regimental Intelligence Officer.

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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

HEADQUARTERS, FOURTH MARINES  
SHANGHAI, CHINA

24 November 1938

RESTRICTED

R-2 REPORT, PERIOD 0800 22 NOVEMBER, TO 0800 24 NOVEMBER, 1938

OPERATIONS

**HUMAN:** The Japanese in this area continue to remain inactive. The Chinese still hold Pingkiang where they are said to be strengthening their positions. Loss of this place would likely cut off the avenue of retreat for the Chinese situated in the Wuning-Siushui area of Kiangsi. Chinese troops are reported concentrating in the vicinity of Changteh southwest of Tungting Lake.

**HUPEH:** The Chinese claim they have taken the offensive at Tsaoshih, 63 miles west of Hankow.

**KIANGSI:** Japanese troops were reported to be 31 miles from Nanchang on the 21st.

**KWANGTUNG:** Chinese troops at Sheklung were forced to retire across the East River on the 19th. Japanese forces engaged in mopping-up operations reported they had captured Tungkun, 31 miles southeast of the city on the 20th. Endeavoring to further extend the zone of occupation around Canton, a Japanese column from Fohsien is claimed driving toward Tsingyun, 41 miles northwest of Canton. This column broke through Chinese defenses about 5 miles northwest of Fohsien on the 23rd.

**SHENSI:** Reinforcements are said being rushed to the Tungkwan area from Chengchow, Honan. Meanwhile Chinese forces already in the area are reported building pill-boxes and fortifications in anticipation of the Japanese crossing the Yellow River at this point where their artillery has been almost daily bombarding the Chinese. Chinese artillery in this locality is again in action after several days of silence.

**SHANSI:** Skirmishes between Chinese guerillas and Japanese troops in southwestern part of Shansi near Lintsin and Ishih occurred on the 16th and 17th of November.

**IN SHANTUNG:** Mopping-up operations near Tungchang, west of Tsinan, the Capital of Shantung continue. A clash with guerillas occurred at Sangichai, near Lanfeng, in northeastern Honan.

**KIANGSU:** Japanese authorities state the area south of the Lung hai, between the Grand Canal and the Tsinpu railroad, has been cleared of Guerillas. A clash with these irregulars occurred at Suchien southeast of Hsuehchow on the 22nd.

**HOPEI:** Skirmishes with Chinese mobile units have taken place west of Paoti in the eastern part of Hopei and near Mankow, on the Pingsui railroad west of Peiping.

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

#### MISCELLANEOUS

According to the Japanese the French authorities have put some restrictions on the entrance of supplies to China via Indo-China. However, in spite of this, supplies are still flowing through French territory into China.

Large numbers of Japanese merchants and industrial men are flocking to China to take part in business and reconstruction. The number is so large, according to the Japanese information, that they are taxing the capacity of the available steamers. Restrictions have been placed on the exodus so that only people having definite occupations may leave Japan.

In Canton the Japanese took over the control of the Chinese Maritime Customs on November 22nd.

Mine sweeping operations in the Pearl River Delta and along the Yangtze continue.

Sikong, west of Szechwan province, has been created a province under the Central Government of China. The Provincial Government will go into effect on January 1st.

The Japanese reformed government of Central China has appointed magistrates to govern districts in Kiangsu, Chekiang and Anhwei in place of autonomous committees which have previously been the governing agent.

A report from Chungking states that the Communists Party has pledged to continue their support of Chiang Kai-shek in the war against Japan. In a manifesto making this pledge they stated that they promise not to establish secret organizations within either the Kuomintang party or the Kuomintang army.

#### LOCAL


The gambling and Opium dens operating in large numbers in the western district (extra-settlement roads area) under license from the Japanese reformed government of Shanghai are causing many adverse comments in the local Chinese newspapers of Shanghai. Many comments are also printed concerning the flying of the Japanese five barred flag over the Chinese Customs building in the International Settlement.

#### AVIATION

Kweilin, Kwangsi was bombed on the 21st. Villages northwest of Yochow, Hunan, were also bombed.

Fokang, Kwangtung, southeast of Yingtak was raided by Japanese air units on the 22nd.

Sian, Shensi was subjected to the heaviest aerial bombardment it has experienced on the same day.

  
J. S. MONAHAN  
Major, U.S. Marine Corps,  
Regimental Intelligence Officer.

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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

HEADQUARTERS, FOURTH MARINES  
 SHANGHAI, CHINA

26 November, 1938

RESTRICTED

R-2 REPORT, PERIOD 0800 24 NOVEMBER, TO 0800 26 NOVEMBER, 1938

OPERATIONS

IN HUPEH, northern Hunan and Kiangsi the situation remains unchanged. In the meantime "mopping-up" operations continue in this area, particularly in the eastern part of Hupeh, in the Lotien sector. A Chinese report states that Chinese troops on 22 November took Wushengkwan pass on the Hankow-Peiping railroad on the Hupeh-Hunan border. This latter report is taken with reserve. On the 23rd an engagement took place in southern Hupeh about 19 miles east of Tungcheng on the Kiangsi border. The Japanese have completed the repair of the Ninghan railroad north of Hankow to Sinyang with the exception of about a 36 mile stretch from Hwayuan to Wushengkwan Pass.

IN KWANGTUNG a determined effort is being made to clean up Chinese remnants in the area between Canton and the British Leased territory. Japanese detachments advancing south of Shekiang are reported nearing the British leased territory. They have taken Shunchun and Shatau as well as Pingkiang on Hirs Bay. Thousands of Chinese refugees fleeing before the Japanese are entering the British territory. Other units engaged small Chinese forces south of Waichow. The Japanese garrison at Tsungfa advanced to Lungtan on the 21st and 22nd. Using Samshui as a base other Japanese detachments claimed they had dislodged Chinese from Yangteipeng village 5 miles northeast of Samshui and from Pingkow about three miles to the south of Samshui. Japanese naval forces continue mopping up operations in the Pearl River Delta.

GUERRILLAS

Widespread guerilla activity continues taking place in the Japanese occupied area. During anti-guerilla operations, engagements have recently taken place at Chengkiakow, southwest of Tschow on the Hopei-Shantung border; near Tungcheng southwest of Tsinan in Shantung; along the Chaotsun-Taoching railway in northern Honan; west and northwest of Tungshan in eastern Hopei; south of Ningwu in northern Shansi; and near Sihochen and east of Sih-sien in northern Hupeh. The Japanese claim they have been successful, during the month of November, in anti-guerilla operations in the area from south of Wuhu to east of Hanking as well as the southwestern section of Kiangsu province.

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

#### AVIATION

Japanese naval aircraft bombed the old and new aerodrome at Hengyang in Hunan on the 23rd, another unit attacked Chinese military bases in the vicinity of Hienyang and Shahuchen in Hupeh. In Kwangtung they bombed military establishments and freight cars near Lokchong and Shaochow on the Canton-Hankow railway. In the Shensi-Shansi-Honan border area Army planes bombed Chinese troops at Tungkwan and blew up sections of the Lunghai Railroad. Yenai, Shensi was bombed on the 24th.

#### POLITICAL

The election of delegates to the coming National People's Congress to be held at Nanking under the auspices of the Reformed Government has been completed in the various districts of Kiangsu, and Chekiang. The delegates are awaiting the return from Japan of Mr. Liang Hung Chih, president of the Reformed Governments executive Council, before proceeding to Nanking for the Congress. The purpose of this Congress is to talk over ways and means of establishing a new Central Government for China.

An attempt was made to assassinate the recently installed Mayor of the Special Municipality of Shanghai, Mr. Fu Siao-en, near his office in Kiangwan on the morning of the 25th.

The "Wuhan Peace Maintenance Commission" was inaugurated on November 25th at Hankow for the purpose of taking over the civilian administration of the Wuhan Cities. Mr. Chen An-jen is president of the Commission.

*J. S. Monahan*

1st., Lieut.

for

J. S. MONAHAN  
Major, U.S. Marine Corps,  
Regimental Intelligence Officer.

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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

JSH/am

HEADQUARTERS, FOURTH MARINES  
SHANGHAI, CHINA

29 November, 1938

RESTRICTED

R-2 REPORT, PERIOD 0800 26 NOVEMBER, TO 0800 29 NOVEMBER, 1938

OPERATIONS

KWANGTUNG: Japanese troops operating against the Chinese remnants south of the East River completed mopping-up this area on the 26th. In breaking the Chinese resistance, the Japanese drove from Tungku, Seklung, Waichow and Tanshui. Their lines now extend from Wangtien, Tientangwei, to Chengkuang, small towns near the British border. According to the Chinese three Cantonese divisions are pushing south along the Canton-Hankow railroad from Yingteh. These divisions are said to have passed Pachiangkou and are advancing on Tsunghua and Huanhsien, two cities east of the railway and northwest of Canton. This Chinese statement is taken with reserve.

HUNAN: The situation apparently remains unchanged. A Chinese report states that after a lull, fighting on the Hunan front has broken out again near Sintsiang, on the Canton-Hankow railroad south of Yochow.

HUPEH: The Chinese claimed the recapture of Lotien in a communique of the 27th. In contradiction the Japanese claim success in this area.

SUIYUAN: Chinese mobile units are reported active near Failingmiao in northern Suiyuan.

KIANGSU: A skirmish occurred at Sutsien, 62 miles south-east of Hsuehchow on the 22nd.

AVIATION:

Japanese army planes bombed Chinese positions at Tsingyuan 42 miles north of Samshui and Szechui 22 miles northwest of Samshui on the 25th. On the 26th, Naval Planes attacked Ichang, and Wangchiakow on the Yangtze; Ifengchen on the Chekiang-Kiangsi railroad, and Hengyang in Central Hunan. In South China villages in the eastern part of Kwangtung province, junks loaded with Chinese soldiers at Yingtak and military establishments at Hingning in northeastern Kwangtung were bombed on the same day. Yiyang, halfway between Changsha and Changteh in Hunan province was bombed on the 27th.

MISCELLANEOUS

According to an unconfirmed report General Count Terauchi, the Japanese Commander-in-Chief in North China has been called back to Tokyo. He is said to be replaced by General Sekiyama, former War Minister.

General Chiang Kai-shek has personally taken over the duties of Commander-in-Chief of the 4th War Zone (Kwangtung and Kwangsi) according to a Chinese report of November 28th.


Mr. Liang Hung-chih, chairman of the Executive Yuan of the Reformed Government returned from a 10 day visit to Japan on the 26th. Following the Central Government mass-meeting which met on the 28th for a three day conference at Nanking, he will visit Soochow, Hangchow, Chinkiang and Pengpu in order to appeal to the Chinese people in these sectors to support the Anti-Comintern and pro-Japanese policies of the Reformed Government.

It is reported that several foreign ships carrying arms for China are to touch ports in Burma between December 1938 and March 1939. A steamer is said to be unloading arms at Rangoon at present, where branch offices of Chinese firms have been established to supervise the transportation of the supplies. The supplies would be routed through Burma to Yunnan, province of China.

A Chinese communique announces that the Chinese High Command has decided to establish two field Headquarters. The one north of the Yangtze is to be called "Northern Headquarters" while the one south of the River is to be called "Southern Headquarters."

A Japanese message from Canton states that an autonomous commission was formed in the city on the 27th out of the recently formed Self Defense Corps. General Lu Chan-jung, formerly commander of the 4th Army Corps has been named chairman of the commission.

There will be no Map with this report.

  
S. S. MONAHAN  
Major, U.S. Marine Corps,  
Regimental Intelligence Officer.

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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. Quate NARS, Date 12-18-75

JSM/am

HEADQUARTERS, FOURTH MARINES  
SHANGHAI, CHINA

1 December 1938

RESTRICTED

R-2 REPORT, PERIOD 0800 29 NOVEMBER, TO 0800 1 DECEMBER, 1938

OPERATIONS

In Hunan, Hupeh, Shansi and Kwangtung the situation on the fronts remains unchanged. Reports indicate that Japanese troops are concentrating at Canton, Hankow and Taiyuan (Shansi). Offensives are expected to begin from these three fronts in the near future.

According to a Chinese Communiqué, the Japanese are also reported concentrating troops in Suiyuan at Paotow, the western terminus of the Pingsui railroad by moving troops from Pailingmao and Kweihua.

GUERRILLAS

Skirmishes occurred in Kwangtung south of Tsinan on the 25th and at Taohsien on the 26th; in south-eastern Hopei near Wangkow and Nanchaofu on the 25th; and in northern Kiangsu on the 26th. A drive against Chinese irregulars has also been launched in north-eastern Kiangsu in the vicinity of Lienyunchiang. In southern Shansi skirmishes took place northwest of Yuanchu on the 27th and at Chukou on the 29th.

AVIATION

On the 29th Japanese planes were active in Central and South China. Naval planes heavily bombed Ichang in western Hupeh; Chinese trucks loaded with soldiers near Tsaoyang and Tancheng in northern Hupeh; and Kwongning in north-western Kwangtung. In addition they aided mopping-up operations along the Pearl River by strafing and bombing villages used as Chinese bases. Near Yunkong, and Taishek south of Canton they bombed Junks. Army planes severely bombed Chengteh in north-western Hunan as well as Kwangtung aerodrome to the southeast of the latter city.

MISCELLANEOUS

According to a Japanese communiqué, the Japanese are building a large harbor at Wampo 10 miles east of Canton. Accommodations for 6,000 ton vessels have been reported made by Japanese Army and Navy engineers.

Vice-Admiral Oikawa on the 29th in a Communiqué to the senior naval commanders in Shanghai of Great Britain, the United States France and Italy reiterated the Japanese refusal to open the Yangtze to commercial trading vessels. Foreign gunboats will be permitted to proceed down river and then return. One gunboat may be replaced by another of the same nationality.

A Tokyo dispatch of the 29th by Reuter confirms the recall of General Terauchi from North China and his replacement by General Sugiyama, the former War Minister.

There will be no Map with this report.

*H. S. Walcott* 1st., Lieut.

for  
J. S. MONAHAN  
Major, U.S. Marine Corps,  
Regimental Intelligence Officer.

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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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DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

January 7, 1939.

~~TWB:~~

~~MMH:~~

Shanghai's despatch No. 1871 of December 9, 1938, entitled "The Central China Development Company", reports the visit to Shanghai and to points further up the Yangtze of Mr. Kenji Kodama, President of the Central China Development Company, and also reports a statement of Mr. Kodama's published in Domei's news service, in which he made no reference to the monopolistic character of the subordinate companies of his firm and in which he said that his firm did not mean to threaten third power rights and interests in China and that his company desired to be the guiding factor in the economic reconstruction work of central China. Mr. Gauss feels that, if Kodama's company achieves its aims, it will probably control most of the manufacturing and trade in the Yangtze Valley. So far as the Consulate knows, no non-Japanese individual or organization has indicated desire to invest in the subsidiaries of the company.

793.9414557

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1236

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. 1871

5336

AMERICAN CONSULATE GENERAL,

Shanghai, China, December 9, 1938.

793.94  
 20.503  
 893.602

TO FIELD	YES	NO
IN USA	✓	✓
O.N.I. AND M.I.D.		

SUBJECT: The Central China Development Company.

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

RECEIVED  
 DEPARTMENT OF STATE  
 1939 JAN 3 PM

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

Division of  
 FAR EASTERN AFFAIRS  
 JAN - 4 1939  
 Department of State

I have the honor to refer to my despatch No. 1848

of December 1, 1938, entitled "The Central China

1/ Development Company", and to enclose a copy of a Domei  
 press report of November 28, 1937, announcing the  
 arrival at Shanghai on that date of Mr. Kenji Kodama,  
 President of the Central China Development Company,  
 accompanied by the Vice President of the company,  
 Mr. Kaname Hirasawa, and by Messrs. Saburo Sonoda and  
 Kyoichi Aburaya, directors of the company. Mr. Kiyoshi  
 Kanai, another director, joined the party at Shanghai.

2/ A statement prepared for the press which Mr. Kodama  
 gave out upon his arrival at Shanghai is also enclosed.

In this statement, Mr. Kodama did not repeat the  
 phrase "we are not interested in monopolies", which  
 he is reported to have used in his press interview on  
 November 9, 1938, (1) at Tokyo, Japan, upon his

appointment

(1) Reuter's despatch in the NORTH CHINA  
 DAILY NEWS, Shanghai, November 10,  
 1938.

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14557

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

5337

-2-

appointment as President of the Central China Development Company. In fact, he made therein no reference at all to the monopolistic character of the subordinate companies of the firm.

Mr. Kodama's statement, "we do not mean to threaten in any way third Power rights and interests in China", will probably not reassure Occidental businessmen interested in the Central China market. Local American businessmen consider that Japanese restrictions on their freedom of movement and on their trading activities in the Shanghai hinterland have already deprived them of many of their rights and interests.

Mr. Kodama also stated that the Central China Development Company "desires to be the guiding factor in the economic reconstruction work of Central China by financing and managing the fundamental enterprises for production and trade." If this goal is achieved, the Central China Development Company will probably control most of the manufacturing and trade in the Yangtze Valley.

So far as this office knows, no non-Japanese individual or organization has yet indicated any desire to invest in the subsidiaries of the Central China Development Company. The possibility that these firms may function more to aid Japanese economic penetration into Central China than for profit, and lack of confidence in the future value of the Yen may act as deterrents to any such investments. Hence, it will not be surprising if Mr. Kodama's hope for the investment

of

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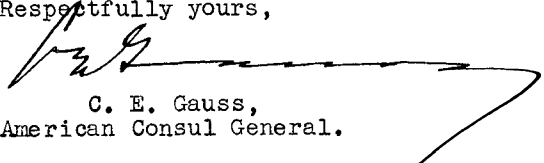
-3-

of foreign capital in the subsidiaries of the Central China Development Company is not fulfilled.

Mr. Kodama is quoted as saying to reporters upon his arrival at Shanghai, (1) "I intend to look about so as to formulate an idea of the existing situation." He and his party planned to proceed to Nanking on November 30, 1938, for a two day visit. No announcement of his return to Shanghai has come to the attention of this office and it is believed that his visit up the Yangtze River has been extended.

Mr. Kodama's statement contains little that is new, and Occidentals in Shanghai, who fear the effects of this firm and its subsidiaries upon their businesses, find nothing encouraging therein.

Respectfully yours,

  
C. E. Gauss,  
American Consul General.

✓  
Enclosures:

- 1/- Copy of Domei Press Report - November 28, 1938, announcing the arrival of Mr. Kenji Kodama.
- 2/- Statement for the Press given out by Mr. Kenji Kodama upon his arrival at Shanghai.

860.2  
GDL/Sfk

In quintuplicate to the Department;  
Copy to Embassy, Peiping;  
Copy to Embassy, Chungking;  
Copy to Embassy, Tokyo.

(1) See Enclosure No. 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

Enclosure No. 1 to despatch No. 1871 of C. E. Gauss,  
 American Consul General at Shanghai, China, dated  
 December 9, 1938, on the subject: "The Central China  
 Development Company."

(COPY)

November 28, 1938.

DOMEI  
 LOCAL NEWS AND TRANSLATION SERVICE

C.C.D.C. OFFERS NO THREAT  
 TO POWERS' INTERESTS-- KODAMA

Activities of the Central China Development Company, officially-sponsored holding firm capitalized at ¥100,000,000, will not constitute a threat to the vested rights and interests of third-party Powers in China, Mr. Kenji Kodama, governor of the concern, declared in Shanghai yesterday.

The purpose of the firm, he asserted in a prepared message handed to newspapermen aboard the N.Y.K. Orient-Europe liner Hakozaki Maru on which he arrived at 9 o'clock yesterday morning, lay "solely in assisting the economic development of Central China."

He invited foreign capitalists to invest in the various enterprises of the company.

Mr. Kodama was accompanied by Mr. Kaname Hirasawa, vice-governor, and Mr. Saburo Sonoda and Mr. Kyoichi Aburaya, directors. Mr. Kiyoshi "Tiger" Kanai, formerly with the South Manchuria Railway Company, who is also one of the firm's directors, was at Wayside Wharf where the Hakozaki Maru docked.

The governor of the mammoth firm was uncommunicative to Japanese newspapermen who met him. "I intend to look about so as to formulate an idea of the existing situation," he said. Mr. Kodama formerly was president of the Yokohama Specie Bank.

The Central China Development Company at present controls seven subsidiaries which have been incorporated as joint Sino-Japanese enterprises under the laws of the Reformed Government, the message revealed. These are the Central China Iron Mining Company, the Central China Water and Power Company, the Shanghai Inland River Steamship Company, the Central China Telecommunications Company, the Shanghai Real Estate Company, the Central China Urban Motor Transport Company and the Central China Fisheries Company.

Landing from the steamer, Mr. Kodama and members of his party proceeded at 10:30 o'clock to the Shanghai Jinja, Shinto shrine on Kiangwan Road, to pay their respects.

They later visited the Nishi-Honganji and Higashi-Honganji, Buddhist temples in Hongkew, to offer homage to the Navy and Army war dead. The urns containing

Ashes

793.94/14557

124  
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-

ashes of Japanese officers and men killed in action are deposited at those temples before being sent back to Japan.

Following a visit to the Special Services Section of the Army, the visitors proceeded to the cruiser Idzumo where they were the guests of Vice-Admiral Koshiro Oikawa, commander-in-chief of the Japanese China Seas Fleet, for luncheon. In the afternoon, they visited the various consular, diplomatic, naval and military offices. Today (Tuesday) the group will call upon Chinese and Japanese officials, the Shanghai Municipal Council and Japanese civilian organizations.

Mr. Kodama and his party will proceed to Nanking for a two day stay tomorrow (Wednesday).

-----0000-----

Copied by: *[signature]*  
Compared with: *[signature]*

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

Enclosure No. 2 to despatch No. 1821 of C. E. Gauss,  
 American Consul General at Shanghai, China, dated  
 December 9, 1938, on the subject: "The Central China  
 Development Company."

(COPY)

DOMEI  
 LOCAL NEWS AND TRANSLATION SERVICE

Mr. Kodama's message, according to Domei, was  
 as follows:

"It is a great pleasure to meet you gentlemen on  
 my arrival in Shanghai as President of the Central China  
 Development Company, the mission of which is to help in  
 the rehabilitation and economic development of Central  
 China by working toward mutual Sino-Japanese prosperity.  
 I would like to take this opportunity to make a few  
 remarks by way of greeting.

"First of all I would like to pay my deepest respects  
 and express my heartfelt sense of support to the officials  
 and civilians in China who are exerting their efforts to  
 build up and uphold the Reformed Government which cherishes  
 the same hope as ours in endeavoring to overcome the present  
 difficult situation. Also I wish to express my sympathy  
 with the people throughout China upon whom the present  
 hostilities brought great misery and calamity.

"The present Sino-Japanese hostilities are a necessary  
 evil which China and Japan, who should have cooperated  
 with each other for the cause of safeguarding East Asia,  
 were forced to face by the anti-Japanese and pro-Communist  
 policy of the Kuomintang Government. The hostilities, in  
 my opinion, will cause the establishment of a new order in  
 China, which will be realized only by great sacrifices by  
 both nations. To fully realize the meaning of the present  
 hostilities, therefore, the two neighboring nations should  
 be closely united with each other in political, economic and  
 cultural activities.

"Economic co-operation, in particular, should be the  
 basis of the new understanding.

"Realizing the past mistakes and blunders committed  
 by the Kuomintang Government, the enlightened officials  
 and people of reborn China are concentrating on the con-  
 struction of a new order in East Asia and especially on  
 the realization of economic unification of Japan and China.

"In responding to this trend, Japan has adopted the  
 principle of rendering whole-hearted support to Chinese  
 economic reconstruction because that support means the  
 speedy attainment of mutual Sino-Japanese prosperity by  
 saving China from the yoke cast by the Chiang regime.  
 Herein lies the reason for establishing our company.

"Thickly populated and rich in industrial resources,  
 Central China with Shanghai as its center has often been  
 called the economic heart of China. Because of its very  
 richness, this area suffered most from the devastation

of

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 warfare and the rehabilitation and development of all industries should be made promptly. Our company desires to be the guiding factor in the economic reconstruction work of Central China by financing and managing the fundamental enterprises for production and trade. We have a capital of ¥100,000,000 supplied by the Japanese Government and the people of Japan. The mission of our company is to help you as best as we can and I hope our two countries will utilize this capital co-operatively.

"In this connection, I am happy to say that seven companies, the Central China Mining Co., the Central China Water and Power Co., the Shanghai Inland Steamship Co., the Central China Telecommunications Co., the Shanghai Real Estate Co., the Central China Urban Motor Transport Co., and the Central China Fisheries Co., have been established under a Sino-Japanese partnership according to the laws of the Reformed Government and are progressing rapidly. We wish to continue to finance and manage these kinds of enterprises.

"Our company was established only to assist in the economic reconstruction in Central China and we do not mean to threaten in any way third Power rights and interests in China. We hope that capitalists of all nations will understand our true intentions and will co-operate with us by investing in the enterprises of our company."

-----0000-----

Copied by: *MP*  
 Compared with: *dy*

124  
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton E. Gustafson NARS, Date 12-18-75

JR

TELEGRAM RECEIVED

COMSOPAT

January 4, 1939

FROM Rec'd 8 a.m.

ACTION: CINCAF  
OPNAV

793.94  
INFO: COMSUBRON FIVE  
ASTALUSNA SHANGHAI  
CO DESRON FIVE  
COMYANGPAT  
AMEMBASSADOR CHINA  
USS ASHEVILLE  
USS MARBLEHEAD  
USS TULSA  
FOURTH MARINES  
ALUSNA PEIPING

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

Division of  
EASTERN AFFAIRS  
JAN - 4 1939  
Department of State

0003. Canton and vicinity quiet, forces in Samshui  
area increased, withdrawal in the north to a line about  
ten miles south of Fahsien and Tsungfa. 2300.

DDM

793.94/14558

F/FG

JAN 5 1939



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

## TELEGRAM RECEIVED

JR

This telegram must be  
closely paraphrased be- **FROM**  
fore being communicated  
to anyone.

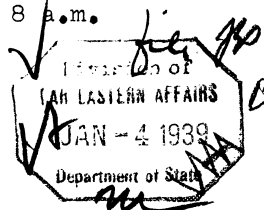
MARDET TIENTSIN

January 4, 1939

Rec'd 8 a.m.

ACTION: OPNAV

INFO: COMDR MARINE FORCE NORTH CHINA  
CINCAF  
FOURTH MARINES  
ALUSNA PEIPING



793.94

0003. From direction Tientsin twenty-fifth and sixth  
December one eight double zero Nipponese troops plus three  
train loads soldiers, supplies, including mechanized horse  
drawn artillery tanks, hospital units, fifty trucks full  
men proceeded to number nine gate Great Wall near Synsaikwan,  
remainder week five hundred wounded ten times fifteen  
warriors also military railway convoy arrived Chinwangtao  
out of south. 1300.

DDM

793.94/14559

F/FG

FILED  
JAN 6 1939

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 890.00/126 FOR Memorandum  
State Department  
Far Eastern Division  
FROM (Salisbury) DATED Dec 29, 1938.  
TO NAME 1-1127 \*\*\*

REGARDING: Situation in the Far East: developments during past week,  
with reference to Sino-Japanese conflict.

FRG.

793.94/ 14560

14560

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

793.94

## DOCUMENT FILE

### NOTE

SEE 893.00/14291 FOR Tel-; 9am

FROM Tsinan (Hawthorne) DATED Dec 29, 1938  
TO NAME 1-1127 \*\*\*

REGARDING: Political and military situation during December, 1938.

FRG.

793.94/14561

14561

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

NOTE  
743.94

AC

GRAY

Tsinanfu via Tsingtao and N. 1

Dated December 29, 1938

Rec'd 8:00 a.m., January 1,  
1939

Secretary of State

Washington

December 29, 1938, 9 a.m.

Political summary for December follows.

One. Consulate lodged a protest with Japanese Consulate General against action of Japanese authorities at Tawankow in endeavoring to force American to display five barred flag on his residence, with satisfactory results.

Two. Press carried repeated accounts of Japanese successes against guerrillas, large numbers of which were alleged to have declared allegiance to the new regime, though rail traffic on both lines continued to be delayed frequently by damaged tracts and bridges and freight service of the Tientsin-Pukow Railway was suspended for over two weeks because of troop movements. The Japanese admit action near Lungshan, twenty-two miles east of Tsinanfu, on December 14th was against regular Chinese troops. Shih Yu San is reported to have received reinforcements and arms and ammunition from Anhwei. He is understood to have been in the vicinity of Sintai and Laiwu in central Shantung,

with

893.00 / 14291

AC - 2 - December 29, 1938, 9 a.m., from Tsinanfu

with a force of forty thousand men, until the latter place was attacked by Japanese December 12th after which he is said to have retreated northward, possibly to join forces with Shin Hung Lieh north of the Tsingtao-Tsinanfu Railway. It was probably Shih's troops which clashed with the Japanese on the 14th. Former troops of Han Fu Chu now "cooperating" with the Japanese engaged in open robbery in the vicinity of Tsining and clashed with Chinese militia at Tungping northwest of that place.

Three. First anniversary of the establishment of the Peiping Government was celebrated under the auspices of the HSIN MIN HUEI which organ conducted an intensive propaganda campaign in this district.

Four. A commission of investigation was despatched to Manchukuo by the Provincial Government to study conditions there with a view to adopting similar methods and reforms in Shantung. Local officials were encouraged by instructions from Peiping granting promotions as of January 1st to all below the rank of Chien Jen who will have had as much as eight months service.

Five. Most important development from an economic or financial standpoint was the abolition of private exchange shops as reported and commented upon (Consulate's telegram No. 6, December 13, 9 a.m.)

Sent

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

AC - 3 - December 29, 1938, 9 a.m., from Tsinanfu

Sent to Peiping; by mail to Tsingtao.

HAWTHORNE

HPD

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

793.94

## DOCUMENT FILE

### NOTE

SEE 893.00/14293 FOR Tel-; 10am

FROM Hankow (Josselyn) DATED Dec 31, 1938.  
TO \_\_\_\_\_ NAME \_\_\_\_\_ 1-1127 \*\*\*

REGARDING: Political and military summary for Dec., 1938.

793.94/14562

FRG.

14562

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

AC

GRAY

Hankow via N. R.

Dated December 31, 1938

Rec'd 3:20 p.m., January 1,  
1939

Secretary of State

Washington

December 31, 10 a.m., December political summary.

Social restrictions imposed by the Japanese on Americans and other foreigners in November continued throughout December with only slight alleviations in certain instances. The Japanese occupied a house owned by an American Mission at Hankow and also mission property at Hanchuan Hupeh. Some apprehension has been felt among Americans at possible tightening of local restrictions on account of reported American loan to China. About 35 foreign nationals including 16 Americans evacuated Kuling and left for Shanghai by Japanese transport December 10. Eighteen Americans remain at Kuling. An exchange of foreign gunboats between Shanghai and this area was carried out (\*) proposal of Japanese naval authorities under which three American gunboats, LUZON, GUAM, and MONOCACY proceeded to Shanghai during the month and the OAHU came to Hankow. Eight American civilians arrived here from Shanghai.

Large quantities of Japanese military and naval stores  
have

NOTE  
793.94

893.80/14293



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

AC - 2 - December 31, 10 a.m., from Hankow

been unloaded here and there is much Japanese shipping activity. Japanese land and naval forces have made little progress during December in the area west and south of Hankow. Japanese advance on Changsha held up south of Yochow and Chinese reports are that a counter-offensive has taken place in that area. The Chinese continue to hold line midway between Nanchang and Kinkiang. Peiping-Hankow Railway line is operated by Japanese military between Hankow and Sinyang Honan, but the railway line between Sinyang and Chengchow is in Chinese hands and reported entirely destroyed. Japanese have evacuated Sofshan and Hwangchuan in southeast Honan, and Chinese are in occupation there and in Tapeh Mountains. Some evidence that Japanese intend to penetrate Shensi from southwest Shansi. Japanese planes during the month carried out extensive bombing raids over Chinese defenses and troop concentrations, also bombing many cities and towns in Hupeh, Hunan, Kiangsi, Shensi, Szechuan.

Peace maintenance societies under Japanese auspices were inaugurated in Hanyang on December 10 and in Wuchang on December 25. Chinese population Hankow greatly hampered by numerous Japanese restrictions; their shops and houses occupied by Japanese both for military and commercial purposes. Chinese refugees in Wuhan have been required to

leave

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

AC - 3 - December 31, 10 a.m., from Hankow

leave mission compounds in areas designated by Japanese. Japanese have placed what amounts to an embargo on entry of food and other supplies into French concession. Wuchang and Hanyang now deserted except for Japanese.

Numbers of Japanese civilians arrived during month and an increasing variety of Japanese goods, chiefly food-stuffs, liquors, and household necessities, are on sale. Several large Japanese firms located here but their business limited to supplying Japanese army and navy. Other business entirely stagnant.

Sent to Peiping.

JOSSELYN

HPD

(\*) Apparent omission

725

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

793.94

DOCUMENT FILE

NOTE

SEE 846g.00/37 FOR Tel-2; 9am

FROM Hong Kong (Southard) DATED Jan 2, 1938  
TO NAME 1-1127 \*\*\*

REGARDING: Developments and events in Hong Kong for December, 1938, bearing on the Sino-Japanese situation.

Summary-

793.94/14563

FRG.

14563

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

793.94  
EDA

GRAY

HONG KONG VIA N.R.

Dated January 2, 1938

Received 8 a.m.

AMEMBASSY PEIPING  
INFO SECRETARY OF STATE

Washington

2, January 2, 9 a.m.

125.4737/147

The Department has instructed this office to send you monthly a brief telegraphic summary of, and events at, or near, Hong Kong which have relation to China. The following is our summary for December.

One. Improvement in frontier relations of which our telegraphic reports to Department were repeated to Peiping.

Two. Continued speculation with no definite developments as to reopening of Pearl River to commercial traffic to and from Hong Kong. British gunboat and occasional American gunboat maintain fairly frequent mail and restricted passenger communication with Canton.

Three. Active reshipment from Hong Kong to Haiphong and intermediate ports of supplies for Chinese destinations with motor vehicles leading cargo item.

Four. Return in progressively substantial numbers to Hong Kong of Japanese men, women and children which

WERE

8469.00/37

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

EDA - 2 - #2, January 2, 9 a.m. from Hong Kong

WERE EVACUATED last year to Japan and Shanghai.

Five. Beginning of irregular Japanese steamer service between Macao and Canton for carrying mails and merchandise and passengers on commercial basis. Official statement of such service rumored but not yet confirmed.

Six. Much speculation about Wang Ching Wei and other Chinese officials who are reported bound from Chungking via Indo-China to Hong Kong to promote support of Chinese here to acceptance of peace proposals from Japan. Wang rumored to be due in Hong Kong today en route Europe but no confirmation obtainable.

Sent to Peiping.

SOUTHARD

RR

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

No. 334

AMERICAN CONSULATE GENERAL

Hong Kong, November 26, 1938.

SUBJECT: Propaganda Leaflets Dropped by Japanese  
Air Planes in Territory Near Hong Kong  
Frontier.

RECEIVED  
DEPARTMENT OF STATE

JAN 10 4 PM 27 5  
1939

HONORABLE

THE SECRETARY OF STATE

WASHINGTON.

I have the honor to refer to my telegram of

November 26th, 11:00 A.M., reporting that Japanese

planes had showered the Chinese villages in the hinter-

land of this Colony with leaflets for the apparent pur-

pose of inspiring the cooperation of the population with

Japanese troops who are systematically establishing

their authority in that area.

These leaflets of thin paper, carrying colored pic-

tures and printed with brief exhortations in the nature

of propaganda, measure about 5½ by 3½ inches, and have

been showered from the air in great numbers. This

office is informed that four different specimens were

circulated, but we have so far been able to obtain only

one copy of each of two of them which floated over the

frontier into Hong Kong territory.

The two specimens obtained are enclosed herewith.

The first of the two leaflets enclosed pictures two

bridges of which one is labelled "Pro-Japanese Bridge"

and the other "Anti-Japanese Bridge". On the side is

printed

RECEIVED  
DEPARTMENT OF STATE  
JAN 10 1939  
ASSISTANT SECRETARY  
OF STATE

Division of  
FAR EASTERN AFFAIRS  
JAN - 5 1939  
Department of State

793.94/14564

F/FG

7258

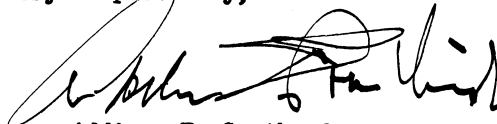
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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

- 2 -

printed in Chinese: "You People! Do not make the mistake of going the wrong way." The second leaflet displays in gory colors a severed head, presumably intended to represent that part of Chiang-kai-Shek's anatomy, resting on a large sword which is carried by a group of Chinese citizens costumed apparently to represent the various social classes. One of these citizens has in his hand a large Chinese flag, also in colors. This leaflet has on it an inscription which, freely translated, reads: "Strike down Chiang-kai-Shek, the enemy of all the people, and walk under the five-barred flag."

Additional copies of these or other leaflets will be forwarded if and when obtainable.

Very respectfully,



Addison E. Southard  
American Consul General

Enclosures:

Leaflets, as stated.

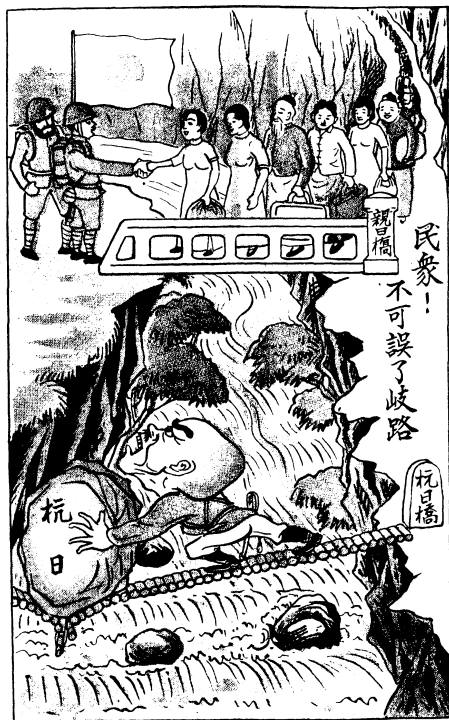
800  
AES:em

Distribution:

In quintuplicate to the Department  
Copy to Consulate General, Canton  
Copy to Embassy, Chungking

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

Enclosure No. 1 to despatch No. 334 dated November 26, 1938, from Addison E. Southard, American Consul General at Hong Kong, on subject of "Propaganda Leaflets Dropped by Japanese Air Planes in Territory Near Hong Kong Frontier".



FREE TRANSLATION:

"You People! Do not make the mistake of going the wrong way."

Label on Upper Bridge: "Pro-Japanese Bridge."

Label on Lower Bridge: "Anti-Japanese Bridge"

Label on object being pushed across the Lower Bridge: "Resist 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

Enclosure No. 2 to despatch No. 334 dated November 26, 1938, from Addison E. Southard, American Consul General at Hong Kong, on subject of "Propaganda Leaflets Dropped by Japanese Air planes in Territory Near Hong Kong Frontier".



FREE TRANSLATION: "Strike down Chiang Kai-Shek, the enemy of all the people, and [walk] under the five-barred flag."  
*go forward*

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

RP

RP

+

1027 WEST MARSHALL STREET  
 NORRISTOWN, PA.  
 RECEIVED: DEPARTMENT OF STATE

JAN 17 1939

January 4, 1938.

1939 JAN 5 AM 10 04

State Department

Washington, D.C.  
 DIVISION OF  
 IMMIGRATION  
 AND RECORDS

Division of  
 FAR EASTERN AFFAIRS  
 JAN - 5 1939  
 U.S. DEPARTMENT OF STATE

Dear Sir,

I am a Graduate Student  
 at the University of Pennsylvania  
 and am making a study of  
 the Far Eastern Situation.

Would greatly appreciate your  
 sending to me important  
 correspondence between China,  
 Japan and the United States  
 on this question - since it

793.94/14565

F/FG

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

RP

RP

1027 WEST MARSHALL STREET  
NORRISTOWN, PA.

beginning in 1931.  
Gratefully,  
Charles M. Evans.

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

In reply refer to  
RP 793.94/14565

My dear Mr. Evans:

The receipt is acknowledged of your letter of January 4 in which you request material relating to the situation in the Far East.

There are enclosed copies of several pamphlets and addresses which contain information regarding the subject of your request. Additional Government publications, dealing with the Far East, are enumerated under the heading "Far Eastern Series" on pages 17-18 of the enclosed copy of the pamphlet entitled Publications of the Department of State and under appropriate headings in the enclosed copy of price list 65, Foreign Relations of the United States. Remittances for publications named in the pamphlet and price list should be sent directly to the office of the Superintendent of Documents, Government Printing Office, this city, who is the authorized distributor of Government publications.

While

Mr. Charles M. Evans,  
1027 West Marshall Street,  
Norristown, Pennsylvania.

793.94/14565

F/FG  
1/15

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

-2-

While the Department can assume no responsibility for the accuracy of statements contained in publications which are not official, it is suggested that further information of the nature desired will be found in some of the books mentioned in the enclosed typewritten list and in similar books and treatises which may be available in your university library.

Sincerely yours,

For the Secretary of State:

E. Wilder Spaulding  
 Assistant Chief, Division of  
 Research and Publication

Enclosures:

1. International Relations and the Foreign Policy of the United States.
2. Our Foreign Policy.
3. Principles of American Policy.
4. Conditions in Manchuria.
5. Conference Series, No. 37.
6. Press Releases (Publications Nos. 1210, 1224, 1233, 1245, 1251, 1259, and 1274).
7. Publications of the Department of State.
8. Price list 65.
9. Unofficial list of books regarding the Far East.

JAN 17 1973 PM



RP:WG:DEW:SS 1/11

ans

Handwritten initials and a signature.

126

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

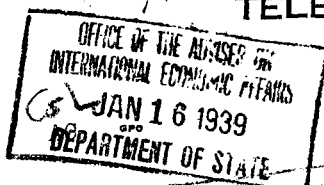
Copies hereof to be sent to Commerce

Copy also to as strictly confidential

and JAN 9 1939

TELEGRAM RECEIVED

206



CORRECTED COPY

FROM GRAY

Chungking via N. R.

Dated December 30, 1938

Rec'd 7 a.m., 31st.

Copy sent to  
Treasury in strict  
confidence

JAN 9 1939

STRICTLY CONFIDENTIAL

A-M/C  
RECORDING DESK  
FILE

Secretary of State,  
Washington.

COPIES SENT TO  
O.N.I. AND M.I.D.  
in strict confidence



626, December 30, 5 p.m.

With reference to my telegram 624, December 30, 10  
a.m., following are excerpts from the memorandum in ques-  
tion:

"One. Industrial developments:

(a) Iron, steel and other metal industries:

Following the outbreak of hostilities the project  
for the formulation of the National steel plant to be  
equipped with two 250-ton blast furnaces, one 250-ton open  
hearth furnace and seven and one-half ton electric furnaces  
had to be indefinitely postponed. As an alternative, a  
scheme to move to Szechuan the Hanyang steel plant and  
the 100-ton blast furnace at Hankow is now being carried  
out and will be completed in about twelve months' time.  
Besides several electric furnaces have been already in-  
stalled in different arsenals; but information concerning  
their capacity is as yet unavailable.

Among those factories moved to the interior under the  
supervision

793.94/14566

F/FG

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

AC - 2 - #626, December 30, 5 p.m., from Chungking

supervision of the Industrial and Mining Adjustment Administration of the Ministry of Economic Affairs three 1-ton electric furnaces have been also erected and are in full operation. Another scheme calculated to modernize the native blast furnaces and to build small modern blast furnaces with capacities varying from 5 to 10 tons will also be completed within five months' time in order to meet the immediate demand for cast iron.

Three copper refining plants are also under construction; their completion will be contingent upon the arriving shipments of the necessary accessories from abroad. The ferro-tungsten plant to be erected in Kiangsi is now temporarily suspended and being moved to the interior due to the imminent approach of hostilities to the locality.

(b) Machinery - manufacture industries:

The National Resources Commission is now operating the National Machine Works in Yunnan and the National Electrical Appliances Works and the National Wireless Appliances Works in Kwangsi.

In addition, there are more than 80 private owned machine shops and factories, including those moved under the supervision of the I. M. A. A., equipped with machinery - lathes, planes, drillers, milling machines, boring machines, pumping and sheering machines, et cetera - totalling 1500 sets.

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

AC - 3 - #626, December 30, 5 p.m., from Chungking

sets. Such machine shops vary in size. Their products include Diesel engines, motors, transformers, generators (below 50 kilowatts) machinery for flour mills, paper-making factories, et cetera, generally speaking they manufacture machinery which does not require high pressure and big horse power. At present they are exclusively working on orders from the arsenals for ammunition supplies.

Repeated to Peiping. (END SECTION ONE)

PECK

CSB



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

## TELEGRAM RECEIVED

CORRECTED COPY

AC GPO

FROM GRAY

Chungking via N. R.

Dated December 30, 1938

Rec'd 2:00 p.m., January 1,  
1939

Secretary of State

Washington

626, December 30, 5 p.m. (Section Two)

(c) Chemical industries:

(one). Soda Ash: A big plant with a capacity of a ten ton daily output is being planned for erection. For the time being a small factory using "le blanc" process is producing soda ash of a very limited quantity.

(two). Caustic soda: A plant with a daily capacity of two tons caustic soda and five tons bleaching powder is now under erection near Chungking and will be completed within five months. Another plant of larger capacity is also planned for erection in **Yunnan**.

(three). Sulphuric acid and nitric acid: Sulphuric acid and nitric acid can be supplied by the arsenals in considerable quantities. There are also smaller sulphuric acid plants in Kwangsi and Szechuan. (End Section Two)

Repeated to Peiping.

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

## TELEGRAM RECEIVED

AC

FROM

GRAY

Chungking via N. R.

Dated December 30, 1938

Rec'd 8:00 a.m., January 4  
1939

Secretary of State

Washington

626, December 30, 5 p.m. (Section Three)

(four) Paper: A plant of nine ton daily output will be completed within eight months' time near Chungking. Another of one ton daily capacity near Kaiting Szechuan will be enlarged to four ton daily capacity. In Yunnan a paper mill of five tons capacity is now under planning for erection.

(five) Fuel: National Resources Commission is erecting a renovating oil cracking plant which will be completed within three months' time. This plant will be able to produce one thousand gallons of gasoline per day. Preparations are also being made to produce fuel oil and lubricating oil from vegetable oil.

(six) Rubber: Two factories supplying waterproof wares and rubber boats for military purposes are among those factories moved into the interior under the supervision of Industrial and Mining Adjustment Administration of the Ministry of Economic Affairs. In view of the high demand  
for

027

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

AC - 2 - 626, December 30, 5 p.m. (Section Three) from Chung-king

for rubber tires for trucks and wagons, there is an urgent need for tire factories to be erected in Yunnan.

(seven) Oxygen: One plant of the capacity of 30 C.M. per hour is erected in Szechuan.

(eight) Leather tanning: Two leather factories have been moved and will resume operations shortly Szechuan.

(nine) Alcohol: One plant with daily capacity of 1000 United States gallons is now in operation in Szechuan. Another plant of 1300 United States gallons capacity is being moved to Szechuan and will be erected in a few months' time.

(ten) Cement: There are two factories of 150 ton and 60 ton daily capacity in Szechuan and Hunan respectively.

The above mentioned chemical industries are only among those most noteworthy. Other factories of smaller scale include varnish, paints, sugar refining, glassware, etc.

(End Section Three)

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

## TELEGRAM RECEIVED

CA

Gray

GPO

FROM

CHUNGKING VIA N R

Dated December 30, 1938

Rec'd 6:55 p.m. January 3, 1939.

Secretary of State

Washington

626, December 30, 5 p.m. (SECTION FOUR)

(d) Spinning and weaving industry:

The Tachua cotton mill at Sian is the only cotton mill still in operation with 20,000 spindles. Four cotton mills have been moved from Hankow with 16,000 spindles to Paochi, Shensi and 100,000 spindles to Chungking where sufficient preliminary steps have been taken for their erection, in spite of all the difficulties in each locality; in Paochi, Shensi there is a shortage of building materials and coal for power generation, while in Chungking there is a shortage of cotton supply. In Yunnan a group of industrialists are contemplating the erection of a cotton mill with 20,000 spindles.

All the cotton mills are also equipped with weaving works. In addition there are two weaving factories in the neighborhood of Chungking and weaving is very widely done in all the villages by means of more primitive machines.

(END SECTION FOUR)

PECK

NPL EMB

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

REB

**TELEGRAM RECEIVED**

GRAY

Chungking via N.R.

FROM

Dated December 30, 1938

Rec'd 11 a. m.

January 5, 1939.

Secretary of State,

Washington.

626, December 30, 5 p. m. (SECTION FIVE)

*WRS*  
*4-25/39*  
" E " ~~management~~. Mining: in order to meet the increasing demand for fuel, the Tienfu coal mine near Chungking is modernizing its mining methods by utilizing the machinery moved from the coal mine at Tsianotso Honan. The work to open another coal mine near Kiating Szechuan has been started with a part of the machinery moved from the same mine.

*WRS*  
*4-25/39*  
*utilized*  
The machinery moved from the coal mine at Tayeh Hupeh <sup>*is now*</sup> ~~(2) (2)~~ to open a coal mine in western Hunan.

As far as mines are concerned the iron mine west of Chungking will be extensively exploited in order to meet the requirements of the one hundred ton blast furnace. National Resources Commission in conjunction with the provincial governments of Kwangsi and Yunnan are now undertaking to enlarge the output of the tin mines in those two provinces. The government concentration of tungsten and antimony will continue to be in force.

To

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

REB

2-#626, From Chungking, Dec.30,5p.m.  
(Sec. FIVE)

To sum up, the present program of industrial developments was framed up and acted upon for the express purpose of coping with immediate needs and requirements as occasioned by the crisis; its scope of operations is necessarily limited by the meager supply of machinery and skilled labor available at the present time. Other schemes that require more time and more efforts of construction as well included. To illustrate, near Kiating Szechwan hydraulic power can be utilized to generate electric power to as much as one million horse power, shown by abundance of salt and coal reserves around that locality is all the more favorable for the development of ~~a part of the~~ <sup>an industrial</sup> center with cheap electric power. Mineral products are also abundant in the Provinces of Szechuan and Yunnan. Of course, transportation facilities -- trucks along highways and the construction of new railroads -- are of momentous importance and must be simultaneously provided. It is the intention of the Chinese Government to obtain from different sources capital investments necessary for such developments.

(END SECTION FIVE)

PECK

WWC

CSB

WB  
1/25/39

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

## TELEGRAM RECEIVED

JR

GRAY

FROM

Chungking via N. R.

AMEMBASSY PEIPING

Dated December 30, 1938

Rec'd 11:09 a.m.,

January 5, 1939

Secretary of State,  
Washington.

626, December 30, 5 p.m. (SECTION SIX).

Two, Production of commodities for export.

Another step of great importance taken by the Chinese Government in its recent economic program is to increase the quantities of commodities for exports. A brief summary covering the principal items is given below.

(a) Tung oil,

Tung oil occupies the leading position among the exported commodities. Statistics concerning quantity and value of total exports for the year 1938 are not still available. According to statistics of the year 1937 exports of tung oil amounted to 1,290,789 quintals valued at Chinese currency 89,845,563. Szechuan produces 780,000 quintals annually. The other provinces producing tung oil are Chekiang, Kiangsi, Hunan, Kweichow and Kwangsi but their annual output is much less.

The

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

-2- #626, December 30, 5 p.m. (SECTION SIX) from  
Chungking via N. R.

The Industrial and Mining Adjustment Administration  
of the Ministry of Economic Affairs has extended  
a loan to the China Vegetable Oil Corporation for the  
purchase of 10 Anderson expellers for the production  
of better grade oil.

Under agreement the China Vegetable Oil Corporation  
will also be sole supplier of tung oil to the Foreign  
Trade Commission for export.

(b) Bristles.

The Szechuan bristles are well known to the  
market abroad. Lately statistics of the exports of  
bristles are not available. It is estimated that  
usually Szechuan can supply from 8000 to 10,000  
quintals of bristles every year valued at Chinese  
currency dollars five million approximately. (END  
SECTION SIX).

PECK

CSB



**TELEGRAM RECEIVED**

EDA

GRAY

CHUNGKING VIA N.R.

FROM

Dated December 30, 1938

Received 10:25 a.m.  
January 5, 1939

Secretary of State

Washington

626, December 30, 5 p.m. (SECTION SEVEN).

(C) Tea.

Total export of tea for the year 1938 is estimated at 40,000 quintals valued at Chinese currency \$32,000,000. With the fall of Hankow Japanese state that exports from the tea growing provinces, such as Anhwei and Hupeh Province, will be difficult. The Government is making an attempt to increase the tea export in Szechuan and other southwest provinces; but their future output cannot be ascertained.

(D) Tungsten;

Total exports of tungsten ores from July 1937 to June 1938 8164 metric tons, valued at pounds 1,502,381. As the supply of tungsten comes mostly from Kiangsi and Hunan, transportation became very difficult after the interruption of the traffic of the Hankow Canton Railway. However, shipments can still be made by way of Swatow Kwangtung and Chennankwan Kwangsi.

(E) Antimony;

Total

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

EDA - 2 - #626, December 30, 5 p.m. from Chungking  
Section SEVEN

Total exports of antimony from July 1937 to June 1938 is summing up as follows: antimony regulus 9343 metric tons, antimony (crude) 1615 metric tons, and antimony oxide 223 metric tons, valued totally at pound 619591. The principal supply comes from Hunan.

Both tungsten and antimony as mentioned above are now under the control of the National Resources Commission.

(F). Tin:

The principal supply of tin comes from Kwangsi and Yunnan. Total annual export of tin is estimated at 9000 metric tons, at the present market value of pounds 1,000,620.

(END OF MESSAGE).

Repeated to Peiping.

PECK

CSB

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

*Copy sent to  
Treasury in confidence*  
*M*

**TELEGRAM RECEIVED**

AC

GRAY

Canton via N. R.

FROM

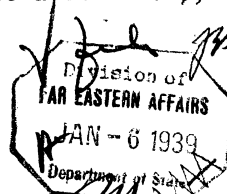
Dated January 5, 1939

Rec'd 3:30 a.m., 6th

Secretary of State

Washington

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



5, January 5, 4 p.m.

I am reliably informed that about 800 Chinese guerrillas have been interfering with Japanese movements and inflicting casualties at and around Chanchuen, about fifteen miles south of Canton and that during the past two days Japanese army units have been shelling that place, the firing being audible in Canton.

Repeated to Chungking, Peiping, and Hong Kong.

MYERS

PEG:VWC

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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. Canton/129 FOR Despatch # 113 to Embassy,  
Chungking.

FROM Canton ( Linnell ) DATED Nov. 10, 1938.  
TO NAME 1-1127 ...

REGARDING: Sino-Japanese relations.  
Report concerning-, for month of October, 1938.

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793.94 / 14568

14568 -

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 Japan:

1. Japanese Air Raids on Kwangtung and Kwangsi.

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3-7  
Japanese planes continued to raid Kwangtung and Kwangsi during the early part of October. Service on the Canton-Hankow line was interrupted on October 8 when over 75 planes raided Kwangtung and Kwangsi.\*

With the invasion of Kwangtung, these raids increased in number and severity. Daily raids on the Canton-Hankow line kept service on it disrupted. The Canton-Hankow railway and the main highways were also objects of daily attack. Haichow was severely bombed the two days preceding its capture on October 15. The Wongsha area of Canton was bombed on October 16 with a number of civilian casualties.\*\* After the fall of Canton, Japanese planes were seen flying toward the areas to which military operations had shifted. Reports from American missionaries indicate that in some cases the civil population are being bombed and machine-gunned by these planes.

2. Invasion of Kwangtung.

The long awaited invasion of Kwangtung was preceded by press reports, early in October, that a number of Japanese transports had, on the first of the month, left Shanghai. On October 5 local Chinese officials stated that a large number  
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\*See telegram of October 7, 8 p.m.

\*\*See telegram of October 16, 8 p.m.

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

- 4 -

of Japanese transports and war ships had appeared off Foochow, whence most of them went to Formosa.\*

On the night of October 11, the Japanese appeared in force in Bias Bay and attempted a landing. The first attempt appears to have failed, but early in the morning of October 12th a successful landing was made near Tam Shui (淡水).\*\* Apparently the initial landing was opposed only by local militia units. On the 13th and 14th the city of Waichow (惠州) and Chinese transport routes to that city were heavily bombed from the air. On the 15th, the Japanese entered Waichow, from which the Chinese had already withdrawn.

While the Chinese continued officially to assert that they could hold Canton, they, nevertheless, speedily evacuated government offices and urged women, children and old people to leave for the interior.

On October 18 the Chinese admitted having blown up a number of the Canton-Kowloon railway bridges, including one of the two big bridges at Sheklung (石龍).\*\*\* However, it was understood that no Japanese units approached Canton along the railway line.

From Waichow the main Japanese units quickly fought their way along the line of the Waichow-Canton highway via Pok Lo (博羅) and Tsong Shing (增城). Chinese military forces withdrew from Canton during the night of October 20 and during the day of October 21. Early in the afternoon of the latter day a Japanese tank column passed through town.† That night straggling but

fully

\*See telegrams of October 5, 5 p.m., and October 7, 5 p.m.

\*\*See telegrams of October 12, 1 p.m., and October 12, 3 p.m.

\*\*\*See telegram of October 18, 4 p.m.

†See telegram of October 21, 6 p.m.

- 5 -

fully equipped and orderly Chinese troops continued to pass through the city. On October 22 a small detachment of Japanese troops occupied part of Canton, although straggling Chinese troops continued to pass through for several days.\* On October 25 Japanese troops took over from British and French naval units the patrolling of the Shakes bund district. Not until nearly the end of the month were any noticeable efforts made on their part to police the rest of the city.

With the complete occupation of Canton by the Japanese it became difficult to obtain information as to the progress of military hostilities. Firing could be heard in Canton, and the fires from burning villages could be seen. Apparently mopping up operations were in progress. On October 30 the Japanese in Canton announced that their forces had occupied Samshui in order to cut off all communications between the Canton area and Kuchow, Kwangsi.

4. Destruction of Canton's Public Utilities and the Burning of Canton.

When it became apparent to the Chinese authorities that Canton would fall, orders were issued for the destruction of government owned property in the city and its suburbs. On October 21 the generators in the old electric light plant (the only one in operation) were destroyed by burning them with gasoline. The water works, the Provincial cement plant, the sugar and paper mills were dynamited. Charges were laid against the hoisting mechanism of the Pearl River bridge and exploded in an effort to destroy it. The mechanism was damaged but the bridge remained useable for crossing to Honan Island.\*\*

The

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\*See telegram of October 22, 2.30 p.m.

\*\*See telegram of October 21, 1 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

- 6 -

The Chinese withdrawal from Canton was so hurried that stores, munitions, anti-aircraft guns, and railway rolling stock had to be left behind in the yards of the Wongsha station, the terminal of the Canton-Hankow line. Fires were started here on the night of October 21 which burned for days. These fires and ensuing explosions of carloads of munitions, ammunition dumps and aviation gasoline destroyed the whole Wongsha area, and damaged many buildings on Chumseen.\* Fires quickly broke out or were set in other areas. They burned virtually unchecked for days, destroying most of the wholesale district of Canton, large sections of the financial and retail districts, and ruining many of the electric light and telephone lines.\*\*

The Japanese military made little effort to check the spread of fires. Since the water works were not in operating condition, there was little they could have done. Fires on the Shakese bund were fought by foreigners in order to protect the British and French concessions.

The Chinese Maritime Customs house on the bund was saved by the strenuous work of the Customs staff assisted by men from the British, and some from the American, naval vessels.

#### 4. Looting by Civil Population.

The retreating Chinese troops indulged in no looting. However, all Chinese police left Canton on or before the night of October 21. The twenty or thirty thousand people remaining in the city were almost all of the lowest classes--beggars,

coolies

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\*See telegrams of October 22, 1 p.m. and October 23, 12 Noon.  
 \*\*See telegram of October 24, 10 a.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

- 7 -

coolies, and persons of questionable character. The Japanese army, on taking possession of the city the next day, should have taken adequate measures for policing it. This they did not do. Thousands of people were allowed to spend the rest of October looting homes and shops and committing acts of violence and incendiarism. The only positive step of importance taken by the Japanese military was the occupation of the rice warehouses and the taking over of their contents."

5. Looting, Robbery, Rape and Murder by the Japanese Military.

The Japanese military were observed by foreigners in Canton in the act of removing in army trucks the contents of private homes. Stores and homes were ransacked for money. Private cars were taken. In searching Chinese pedestrians, the Japanese sentries reportedly took from them whatever money they might find on their persons.\*\*

Reliable reports, received both from Chinese and from American missionaries, indicated that Japanese troops were raping and shooting civilians in the villages near Canton. Many of the villagers fled to the refugee centers in Canton as a consequence.\*\*\*

In Canton, despite the evacuation of most of the people and almost all attractive women, numbers of rape cases were brought to foreign doctors subsequent to the entry of the Japanese forces. All alleged that the rapings were carried out by Japanese. Similarly, numbers of men and women civilians were brought in who had been bayoneted, sabred, shot or beaten.#

C. Relations

\*See telegrams of October 26, 5 p.m., and Oct. 30, 4 p.m.

\*\*See telegram of October 28, 4 p.m.

\*\*\*See telegram of October 30, 4 p.m.

#See telegram of October 26, 5 p.m.

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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 893.00/14295 FOR Telegram # 6 p.m.

FROM Canton ( Myers ) DATED Jan. 3, 1939  
TO NAME 1-1127 \*\*\*

REGARDING:

Sino-Japanese relations: Japanese bombing of  
American Mission properties in China and  
Japanese activities on the Pearl River and  
in Canton: Report concerning-, during month of  
December, 1938.

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793.94/14569

14569 —

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 893.00/14297 FOR Tel-39; 10am

FROM Tsingtao (Sokobin) DATED Jan 4, 1939  
 TO NAME 1-1127 ...

REGARDING: Political and military summary for Dec., 1938.

793.94/ 14570

FRG.

14570

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

JR

GRAY

Tsingtao via N. R.

Dated January 4, 1939

Rec'd 9 a.m., 5th.

1076  
193.94

Secretary of State,  
 Washington.

39, January 4, 10 a.m.

December political review.

One. Considerable influx of Japanese troops commenced second week of December. The activities of these newly arrived soldiers are similar to those of the division which went through training course here just before Canton campaign. It is of interest to note that after twelve months of occupation the Japanese have not constructed any military or naval defence works in Tsingtao.

Two. American oil companies unable to fill all orders from the interior because of shortage of rolling stock on Tsingtao-Tsinanfu Railway.

Three. In a minor matter involving complaint of Japanese interference with American interests there was an improvement. In the larger sphere of export trade, merchants were endeavoring to adjust their operations to Japanese exchange control through an export and import link. It is too early to report the outcome

893.00 / 14297

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- #30, January 4, 10 a.m., from Tsingtao via N. R.

outcome of this arrangement. American oil company imported petroleum products in bulk carried by Japanese vessels which discharged at wharf.

Four. Some improvements in the conditions of travel in the interior away from the railroad. Guerrillas are reported to be increasingly handicapped by shortages of ammunition. There is tendency among Chinese here to feel that the situation increasingly demands "cooperation" with the Japanese in various aspects.

Five. 25% increase reported in Japanese civilian population of Tsingtao as compared with census prior to hostilities. Japanese expansion in the retail trade noticeable. In more important economic activities, three year plan for the expansion of telephone system in this city announced. The President of North China Development Company indicated that Shantung exploitation program still in process of formulation.

Sent to Peiping, and by mail to Chungking, Tokyo..

SOKOBIN

RR:RGC

7281

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 893.51/6759 FOR Tel 14; 6pm

FROM Great Britain (Johnson) DATED Jan 4, 1939  
TO NAME 1-1127 \*\*\*

REGARDING: Chinese currency loan project; other means of tending material assistance to China.

Discussion of-, with reference to suggested measures by Great Britain and the U.S. Gives substance of-, by Messrs Leith-Ross; Butterworth; Hall-Patch.

FRG.

793.94/ 14571

14571 -

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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~~EH~~

JR

GRAY

London

Dated January 4, 1939

Rec'd 6 p.m.

Secretary of State,  
Washington.

14, January 4, 6 p.m.

Embassy's 1389, December 3, 2 p.m.

Leith-Ross asked Butterworth to lunch with him and Hall-Patch to discuss the Chinese currency loan project and the following is his account of the conversation of which the Department may care to apprise the Treasury.

Leith-Ross began by referring to Bewley's conversation with Assistant Secretary Taylor just before Christmas and indicated that the Prime Minister had just given his agreement in principle to a note being sent to the United States which he hoped would clarify the British position somewhat but would again point out the importance of some parallel action being taken on the part of the United States.

In reply to a query I said that I did not feel competent to express any opinion on the question of policy involved in any parallel action by the two countries but I did point out the disparity between the amounts

NOTE  
793.94

893.51/6750

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- #14, January 4, 6 p.m., from London.

amounts of financial assistance rendered to the Chinese by the British and the American Governments to date. Leith-Ross then said he hoped there could be embodied in the note the intimation that the two contributions need not be on a pound for pound basis; that the British Government was willing to go ahead with the project if both countries took a hand in it and in that case both he and Hall-Patch thought that the reaction in Japan would be restrained and the effect salutary. They then emphasized how the British had borne the main brunt of Japanese antagonism, how they had kept Hong Kong open despite French suggestions to the contrary, how likely was Japanese retaliation against their interests if they undertook this matter alone, and how strategically the Japanese were placed to retaliate. Leith-Ross further stated that the Chamberlain Government feared that if the Japanese became aggressive against them, for example, in the International Settlement there might be a further diminution of British prestige with consequent political repercussions at home. Both Hall-Patch and Leith-Ross felt that if the Chinese acquired six million pounds or more which would be skillfully administered, it would hold



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hold the currency position for some time without necessarily any losses occurring and that it would "buck up" the Chinese enormously.

The tentative plan on the part of the British seems to be as follows: the Hong Kong-Shanghai Banking Corporation is willing to put up pounds five hundred thousand provided the British Government guarantees pounds two million five hundred thousand the Chinese banks to arrange for their pounds three million contribution. The Hong Kong-Shanghai Banking Corporation, which is already operating as a fiscal agent for the Chinese monetary authorities, will continue to do so or at least have a "supervisory say" in the use of the ensuing fund so as to prevent Chinese private manipulation. They asked if in the event we agreed to come in, we could follow a similar procedure with the American banks or, if that were politically inexpedient, we would make an advance to the Chinese Government or Bank of China and perhaps have Young or some one else designated to supervise the operations for our protection. This thinking out loud was followed by a "chance" suggestion by Leith-Ross as to whether, to obtain funds, we could make an advance against some of the silver

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

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silver held in the French and British Concessions in Tientsin.

I did not enter into any discussion on the political aspect of the United States acquiring an interest in the British and French Concessions which was already a source of friction with the Japanese but merely pointed out the desire of the stabilization fund justifying at some future time to consider purchases of silver the possession of which it could not acquire.

I asked about what other measures of assistance to China the British Government was prepared to undertake and Leith-Ross indicated that about a quarter of the new pounds ten million export credit which would shortly be passed by Parliament was being earmarked for China but that to date the Chinese continued to be slow and inefficient about putting forward workable projects. In fact they were still talking about long-term railway projects which seemed to him not really productive enough in the given circumstances. For example they needed oil badly. He had proposed to them that they fly oil from Burma, a matter of only 600 miles and by far the cheapest available method of transportation, but

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so far nothing had come of it. Incidentally Hall-Patch who has recently returned from Paris felt that the French might be induced to let more stuff through French Indo-China.

Leith-Ross said that the method of assisting China by penalizing Japanese trade had also been carefully considered. The Dominions would have to be brought into it and they would be the hardest hit by any trade war. The abrogation of existing commercial treaties and the imposing of certain punitive duties had not been entirely ruled out as a possible method but they were disposed to move cautiously in this matter and first see what could be done to help China to help herself.

I asked Leith-Ross about the attitude of the British interests in China towards measures which might provoke Japanese retaliation and he maintained that the more important British interests in China were coming rapidly to the view that it was better "to chance a harder kick in the pants now" than to endure the slow progress of attrition. He added that he had recently received a private letter from Keswick of Jardine Matheson in this sense. Hall-Patch indicated that while this was true of the large corporations, the smaller British interests, which might not be able to withdraw an immediate onslaught, preferred the ills

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they knew to those they knew not of; however their voices were not loud in Whitehall or Westminster.

Incidentally Leith-Ross mentioned he had had a recent telegram from Tokyo to the effect that the Japanese foreign exchange problem was growing more acute and expressing the view that within 6 months they would be in real difficulties. I did not gather that Hall-Patch had had necessarily modified the opinions he had expressed in Washington.

JOHNSON

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



4-2 Digest of Information  
 Sino-Japanese Situation  
 December 16-30, 1938

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NOTE: Situation Map does not accompany this report.

1. MILITARY OPERATIONS.

a. No material change has occurred in the military situation and no large-scale operations have been undertaken by either side.

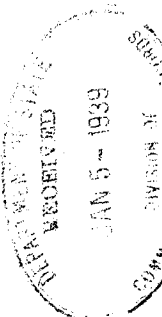
b. Stubborn local fighting has occurred in southwest Shanxi where the Japanese are trying to clear Chinese troops and guerrillas off their lines of communication. Elsewhere the intensity of guerrilla and counter-guerrilla efforts is apparently unchanged.

c. The Japanese have moved two or perhaps three fresh divisions from Japan into the Shantung, Hopeh and Honan communications zone and apparently are relieving an equal body of troops and sending them to Manchuria. These last are probably divisions that were borrowed from the Kwantung Army for the Canton and Hankow offensives. It is possible, but not considered probable, that this movement is a forerunner of increased military activity on the Manchurian-Siberian border.

2. FINANCIAL.

a. No large-scale surface reactions on the part of the Japanese have followed the U. S. credit of \$25,000,000 to China. At a press conference on December 19, Foreign Minister Arita deplored the loan as serving to prolong hostilities and consequently to continue the existing hindrances to third-power trade; but the Minister went on to say that he was disposed to regard the credit as a non-political action. In China no unusual anti-American activities on the part of the Japanese armed forces have occurred. News of the credit elicited general editorial disapproval in the Japanese press, but no strong or continued reaction was noted. In fact the Japanese newspapers were much more violent over the prospect of the British credit of approximately £450,000 to China, in connection with which the question was raised of requiring the retrocession of Hongkong to the "New China."

Meanwhile the following additional developments affecting U.S. - Japanese relations are of considerable significance when taken together. On December 19 Secretary Morgenthau announced the indefinite extension of the Gold-Silver agreement, under the terms of which the Chinese Government may borrow from the U. S. stabilization fund in anticipation of silver shipments. This is, in effect, an extension of short term credits and frees from liquidation Chinese funds on deposit



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

in America. On December 21 there was reported the arrival in Hawaii of a representative of the Securities and Exchange Commission with the mission of investigating the sale of unregistered Japanese government bonds in that territory. It is understood that considerable quantities of these bonds have been sold to Japanese citizens and persons of Japanese descent there, with a resultant creation of sorely-needed dollar credits for Japan. The case of the Maritime Commission against the Osaka Shosen Kaisha and the Yamashita Kisen Kaisha, referred to in the last "Digest" was settled after hearing by the agreement of the Japanese steamship companies to recede from their threats to cut rates in the South American - U. S. West Coast trade.

b. There have been no recorded developments in the Russo-Japanese fisheries dispute.

c. The hitherto uncompleted section of the Tung-Fu Railway, traversing the rugged Yenmen Pass country in northern Shansi has been completed under Japanese auspices and was opened to traffic on December 25.

d. The Japanese "blockade" of the foreign concessions at Tientsin has continued, with a lessening of inconvenience, however, as it has become better organized. It is apparently producing considerable pressure on the concession authorities. Agreement has been reached for the transfer of the city telephone system to the Japanese-supported Chinese authorities. Considerable concessions have also been extorted from the foreign banks in regard to facilitating the forcing of Federal Reserve Bank notes into circulation as an official medium of exchange at the expense of Central Government notes.

e. On December 20 there was established under Japanese auspices at Canton a local government, presided over by Pang Tung-yen, said to have been a former commander of the Keesung forts defending Shanghai. This organization seems destined to be of minor importance in the immediate future, as Canton continues to be largely deserted by its civilian population.

On December 22 there gathered at Peiping a number of Chinese politicians for a scheduled two-day meeting of the United Council of the Republic of China, the official steering committee for the organization of a Japanese-sponsored national government. The meeting did not take place and was postponed either to the 30th of December, for a month, or indefinitely, according to various reports. This indecision and ineffectiveness is a continuing indication of the difficulties which the Japanese are meeting in organizing a facade of regional and central government in China.

f. Press dispatches of December 26 reported the presence in Hanoi, Indo-China, of Wang Ching-wei, veteran Kuomintang leader, former chairman of the Executive Yuan, and appointed in April of this year Deputy

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Tsunghai (Vice-ruler) of the Republic and theoretically Chiang Kai-shek's vice-executive. Mr. Wang was said to have come from Chengtu by air, nominally for his health. It was persistently rumored, however, that he was seeking contact with Japanese officials with a view to commencing peace negotiations. Officials at Chungking immediately made strenuous official and personal denials that Wang was empowered to speak for or to commit the Central Government.

g. On December 22, Premier Konoze made an official statement of Japan's final aims in China. These included disclaimers of Japanese territorial ambitions in China and of any desire for indemnities. They called for the recognition of Manchoukuo, conclusion of a Sino-Japanese anti-Comintern pact and Sino-Japanese economic cooperation on an equal footing. Japanese garrisons in China would be necessitated as a corollary of the anti-Comintern agreement. Japan would be willing to assist China in obtaining the abolition of extraterritoriality and the rendition of foreign concessions. Japan was willing to respect the interests of third powers "who realize the meaning of the New Order in Eastern Asia and act accordingly."

### 3. COMMENT.

a. The two most important political happenings of the past fortnight have been the movements of Wang Ching-wei and Prince Konoze's statement of Japan's aims.

b. Three underlying motives have been attributed to Wang Ching-wei's departure from the seat of government. They are:

- (1) Anxiety at the growing influence of the communists at the expense of the Kuomintang.
- (2) A personal feud with the Minister of Finance, Chiang Kai-shek's brother-in-law, H. H. Kung.
- (3) Adherence to the "peace-faction" in the Kuomintang, which favors an accommodation with Japan.

All three of the above motives are regarded as well established. It is still a moot question, however, whether they have merely separated Wang and his group of personal followers from China's governing hierarchy or whether he is actually attempting the leadership of a peace movement. Either action is consonant with his character. In view of the obvious concern of the Chinese authorities about his activities, it is thought that the probability favors his actively seeking a settlement of the war. It is not believed that such an effort, if made, will be effective at this time.

c. Prince Konoze's pronouncement was probably originally scheduled for December 11, on which date the Japanese were expecting to announce the institution of a new national Chinese government under the leadership

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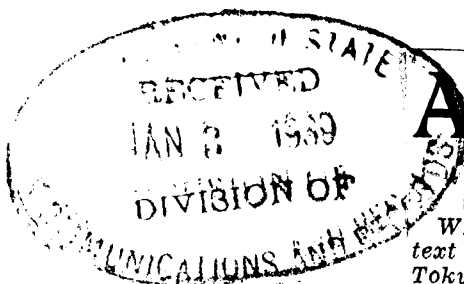
of Wu Pei-fu. The content of the statement is practically that of the Premier's portrayal of Japan's aims on November 3. Its tone is somewhat harsher so far as the Kuomintang and Chiang Kai-shek are concerned. The terms of proposed settlement are left vague, obviously to provide maneuver room in future negotiations. A body of authoritative American opinion inclines to the belief that the statement is addressed to Great Britain and to the United States, rather than to China, and that its fundamental intention is to clear the ground for future discussions as to the roles which these two nations can play in "New China," during and after the establishment of a regime satisfactory to Japan.

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

NEW YORK TIMES -- December 20, 1938.



## Arita Statement of Aims

Special to THE NEW YORK TIMES.  
 WASHINGTON, Dec. 19.—The text of the statement made in Tokyo by Hachiro Arita, the Japanese Foreign Minister, on the future economic relations between China and Manchukuo and the United States and other Western countries, was made public tonight by the Japanese Embassy. It follows:

As has been made clear by the statement of Nov. 3 made by the Japanese Government, what Japan desires is the establishment of a new order which will ensure permanent stability in East Asia—in other words, the establishment of a relationship of mutual helpfulness and coordination between Japan, Manchukuo and China in political, economic and cultural fields.

That the formation of a closely cooperative relationship of the three countries is an imperious necessity is explained by the fact that it is in its political aspect a measure of self-defense against the Communist menace and of safeguarding the civilization and culture of the Orient, and in its economic aspect is a measure of self-preservation in the presence of the world-wide tendency to erect high customs barriers and to employ economic measures for political ends.

It is not only of benefit to the Chinese people themselves but to the whole of East Asia to lift China from its present semi-colonial status to the position of a modern State.

The establishment of a new order—that is, of a relationship of mutual aid and coordination between Japan, Manchukuo and China—simply signifies the creation of solidarity between these three countries for the common purpose of preserving the integrity of East Asia while enabling each nation to maintain its independence and to fully develop its individuality.

### Sees Consonance With Justice

It is the firm conviction of Japan that the establishment of such a new order will be perfectly in consonance with international justice and will contribute toward the peace and tranquillity of East Asia, and it is her inflexible resolution to carry out her policy in this regard.

Leaving for a later occasion the political and cultural phases of the proposed tri-partite relationship, I wish today to offer a few remarks on its economic aspect. The new order envisages a certain degree of economic cohesion and coordination between Japan, Manchukuo and China and the formation of a single economic unit in the presence of similar units which already exist elsewhere and which are both powerful and self-sufficing.

Although the term "bloc economy" is frequently applied to such an arrangement, the proposed unit in East Asia is by no means a system of closed trade. If by "bloc economy" is meant the exclusion of all interests other than those of parties directly concerned, the employment of the term is wholly improper in the present case.

At the moment not a few observers seem inclined to feel as though Japan, by inauguration of the co-called "Japan-Manchukuo-China economic bloc," were arriving at the exclusion from East Asia of all enterprises, capital investments, trade and other economic activities on the part of foreigners. It is quite regrettable that some such idea is to be seen reflected in the comments of various newspapers and magazines published in Europe and America.

### Discrimination

long, stoutly

before all the world the principle of equality of commercial opportunity, though as a matter of fact that principle has received scant regard elsewhere, and Japanese products of good quality and moderate price have everywhere been subjected to discriminatory treatment. Japan, nevertheless, still believes that the way to bring about the prosperity of each and every nation is to give effect to the principle of equality of commercial opportunity, and she upholds freedom of economic activity in all parts of the world as a matter of principle.

It is far from Japan's thought to aid at excluding European and American economic activities from East Asia. However, it is most natural and proper that two neighbor nations, closely bound together by ties of race and culture—Japan poor in natural resources and without a large domestic market and China still economically weak—should work together in order to insure their independence as regards vital supplies as well as their markets.

In times of emergency within those limits it must be admitted that the economic activities of countries which lie outside the limits of East Asia would have to be regulated. In other words, it is imperative that the economic activities of other powers should be subject to certain restrictions dictated by the requirements of national defense and economic security of countries grouped under the new order and that no political privileges should be attached to those activities. The necessity of such restrictions is recognized by "all modern States," including, I am sure, the British Empire and the United States.

But even if these restrictions are put in force, there will remain vast fields of commercial and economic activity open to people of other powers. The formation and existence of an economic copartnership of nations, such as is contemplated for Japan, Manchukuo and China, would by no means entail any diminution of trade between that group and other countries.

### Cites Manchukuo Figures

In this connection I might add a few words regarding Manchukuo. To say that the new State has been closed to powers other than Japan is a gross misstatement. Statistics show plainly the progressive increase that has characterized the foreign trade of Manchukuo during the past few years.

The total value of the foreign trade of that country, which was 1,060,000,000 yuan in 1930, the year before her independence, leaped to 1,550,000,000 yuan in 1937. As for imports from other countries during the same period, they witnessed an increase of 35.3 per cent for Great Britain, 98.9 per cent for the United States and 33.2 per cent for France. Especially conspicuous was the increase in the importation of machinery, tools, vehicles, hardware and timber, the demand for which is expected to expand further with progress of the work of economic construction of Manchukuo.

We should also take into consideration the imports from Western countries via Japan, though these are not indicated in the statistics. Again, we should take note of the trade of Manchukuo with British and French colonies, which is fast developing with the years.

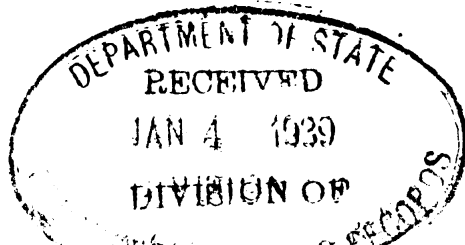
In brief, the proposed new order for East Asia, when established, will not only bring permanent stability to this part of the globe, but will also serve, I am firmly convinced, to put the economic activities of Occidental powers in East Asia upon a far more solid foundation than at present.

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



Statement issued by Premier Prince  
Konoye, December 22, as printed in the  
NEW YORK TIMES of December 23, 1938.

12-24

**TEXT OF THE DECLARATION**

The text of the Premier's statement follows:

The Japanese Government is resolved to carry on military operations for the complete extermination of the anti-Japanese Kuo mintang regime and at the same time to proceed with the work of establishing a new order in East Asia, together with those far-sighted Chinese who share our ideals and aspirations.

A spirit of renaissance is now spreading over all parts of China, and enthusiasm for reconstruction is mounting ever higher. The Japanese Government desires to make public its basic policy for adjusting relations between China and Japan in order that its intentions may be thoroughly understood at home and abroad.

Japan, China and Manchukuo will be united by the common aim of establishing a new order in East Asia and, realizing the relationship of neighborly amity, a common defense against communism and for economic cooperation.

For that purpose it is necessary, first, that China should cast aside all narrow prejudiced views of the past and do away with the follies of anti-Japanism and resentment regarding Manchukuo. In other words, Japan frankly desires China to enter of her own free will into complete diplomatic relations with Manchukuo.

**Asks Anti-Communist Pact**

The existence of Comintern [Communist International] influence in East Asia cannot be tolerated. Japan, therefore, considers it an essential condition of the adjustment of Sino-Japanese relations that there should be concluded an anti-Comintern agreement between the two countries in consonance with the spirit of the anti-Comintern agreement between Japan, Germany and Italy.

In order to insure full accomplishment of this purpose Japan demands, in view of the actual circumstances prevailing in China, that Japanese troops be stationed at specific points during the time the agreement is in force and also that the Inner Mongolian region be designated as a special anti-Communist area.

As regards economic relations between the two countries, Japan does not intend to exercise an economic monopoly in China, nor does she intend to demand that China limit her interests with those third powers who grasp the meaning of the new East Asia and are willing to act accordingly.

Japan only seeks to render effective cooperation and collaboration between the two countries. That is to say, Japan demands that China, in accordance with the principle of equality between the two countries, should recognize freedom of residence and trade on the part of Japanese subjects in the interior of China with a view to promoting the economic interests of both peoples and that in the light of the historical and economic relations between the two nations China should extend to Japan facilities for the development of China's natural resources, especially in the regions of North China and Inner Mongolia.

The above gives the general lines of what Japan demands. If Japan's true object in conducting the present vast military campaign be fully understood, it will be plain that what she seeks is neither territory nor indemnity for the cost of the military operations. Japan demands only a minimum guarantee for the execution of her function as a participant in the establishment of a new order.

Japan not only respect China's sovereignty but is prepared to give positive consideration to questions of the abolition of extraterritoriality and the rendition of foreign concessions and settlements—matters which are necessary for the full independence of China.

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

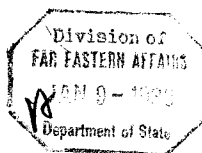
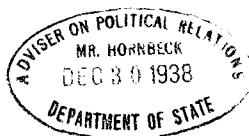
DEPARTMENT OF STATE  
THE UNDER SECRETARY

December 23, 1938.

Dr. Hornbeck:  
Mr. Hamilton:

The letter and memorandum which I am attaching I received this morning from Mr. Curtis Calder, President of the American and Foreign Power Company. You will find this interesting, and I should like to have an opportunity of talking with you about it.

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

AMERICAN & FOREIGN POWER COMPANY INC.  
TWO RECTOR STREET  
NEW YORK

CURTIS E. CALDER  
PRESIDENT

955 AM PM 1 56

RECORDS

December 21, 1938

ADVISER ON POLITICAL RELATIONS  
MR. HORNBECK  
DEC 30 1938  
DEPARTMENT OF STATE

Honorable Sumner Welles,  
Under Secretary of State,  
Washington, D. C.

Dear Mr. Welles:

Enclosed is copy of a memorandum which came to me from a source in China which, over a period of years has given me very reliable information about Chinese facts, conditions and thinking. The source is not anti-English; on the contrary, although an American source, has generally been pro-English. The next time I see you I will tell you who it is but, in the meantime, thought the information contained in the memorandum would be of interest to you and Dr. Hornbeck.

With best regards, and wishing you  
A Merry Christmas and a Happy New Year,

Sincerely yours,

*C. E. Calder*

CEC-RIG  
encl.

C. E. Calder

*Please do not send back to China.*  
*C.E.C.*

January 8 1939  
UNDER SECRETARY OF STATE

JAN 9 - 1939

MR. WELLES

Division of  
FAR EASTERN AFFAIRS  
JAN 9 - 1939  
Department of State

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

Below are summarized briefly opinions expressed by an intelligent and responsible individual closely associated with the National Government of China and British official representatives in China.

England intentionally, or otherwise, has in effect "sold China down the River" through her policies and professions during the past few years - high lights of which are detailed below.

- (I) By supporting the Government in nationalizing silver in 1935, control of finances was taken out of the hands of conservative independent bankers and placed in the hands of the Soong family.
  - (a) The bankers have always been the conservative party and from days of the Empire have curbed Government activities by closing the purse when the Government has shown wayward tendencies. Such pressure was exerted in 1908 to force the peace negotiations which were concluded at Shimoneseki. It is argued that without such curb and in the absence of all other curbs generally prevailing in democracies, there is no restraint to prevent a group in control from sacrificing the entire country to personal ambition.
  - (b) That England's motives in supporting the nationalization of silver were primarily selfish and protective of her own silver reserves in Hongkong and India; possibly also an attempt to gain favor with the Soong group, or to secure benefit to English trade.
  - (c) That there has been dissension between the private British banks and the representatives of the Bank of England, the latter being responsible for the required short circuiting of extraterritorial rights, which made the nationalization of silver possible and without the control safeguards properly requested by private British banks. Various safeguards have since November, 1935, been sought by British banks but the British Foreign Office, in cooperation with the Bank of England, have broken them down.
  - (d) That representatives of the Bank of England and the British Foreign Office have been more pro-Chinese and insisted upon full autonomous rights for the National Government of China in respect to currencies than the Chinese themselves.

The implied conclusion is that if the private Chinese bankers had held the purse strings they could have forced the conclusion of peace negotiations by granting the Japanese limited special rights in the North, possibly as far south as Tsingtao or, alternatively have forced the downfall of the Soong Dynasty.

- (II) There is a latent suspicion that sometime prior to May, 1937, there were secret discussions and agreements between England and Japan relative to Japanese action in North China, provided such action was restrained from the Yangtze Valley. It is alleged that this became known to the Chinese and accounts for their deliberate precipitation of the Shanghai Incident on August 13, 1937, the Chinese intent being to embroil British major interests in China and thereby force British intervention. Conservative Chinese claim this could have been avoided if they had held the purse strings.
- (III) That from the date of the August 13, 1937 Incident, British influence has been entirely concentrated upon encouraging the Chinese to resist the Japanese in the hope that the edge of the Japanese sword be dulled, if not broken. They point

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

#2

to the repeated rumors of loans, munition or commodity credits, all of which have failed. When conservative Chinese were exerting every effort to force peace talks prior to the fall of Shanghai, the British are alleged to have been encouraging the National Government to continue the fight and draw out the Japanese lines to the point of exhaustion.

- (IV) Now that China only retains the more remote interior provinces, any peace talks will fall upon deaf Chinese ears as the National Government is doomed, except it win the fight.
- (V) That Japan, by winning more and with less expenditure of men, munitions and money, has in the process uncovered the bluff of the Western Powers and visualizes the early realization of her prior hopes for complete domination of Asia - a hope which she never had thought could materialize without a prior conflict with Russia.

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My own optimism has always been prefaced upon the assumption that British interests in China, India, the South Pacific and Canada were adequate to force England to take a leading part in the conclusion of the Japanese/Chinese affair. These hopes vanished when the weakness of the British was disclosed in the Czecho-Slovakia affair. More recent disclosures of Britain's unpreparedness after active rearmament since the Italian affair in South Africa leaves me with no base-line.

I am not inclined to think that an interest can be bought in after the fact by loans or by financial participation. I am not inclined to any belief that Japan will fail by exhaustion of her finances. I further believe that her armies of occupation can very nearly live off China.

The only evident ray of hope is the belated rearmament moves in America.

Not a very nice picture.

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

January 5 1939

Dear Mr. Calder:

I greatly appreciate your thoughtful courtesy in sending me, enclosed with your letter of December 21, a copy of a memorandum which came to you from a source in China of whom you expect to give me identification when next we meet. The information contained in the memorandum is, as you surmise, of interest, and I have brought the memorandum to the attention of Dr. Hornbeck and Mr. Hamilton. For your thought of us, I thank you.

With cordial regards and best wishes of the Season, I am

Sincerely yours,

Sumner Welles

Acting Secretary

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JAN 3 1939

Mr. Curtis E. Calder,

President, American and Foreign Power Company Inc.,

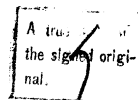
Two Rector Street,

New York, New York.

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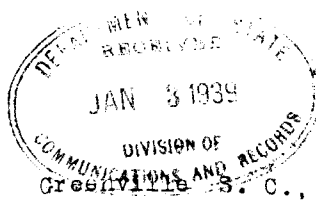


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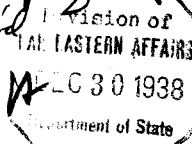
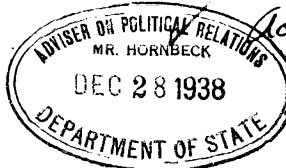
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DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75



Hon. Stanley K. Hornbeck,  
Chief Bureau Far Eastern Affairs,  
Washington D. C.



Dear Mr. Hornbeck,

793.94

I am very much concerned over the developments in the Sino-Japanese interests, since I saw that Ambassador Johnson is on his way from China to report to the Government on the situation there. More especially I am concerned as Mr. Johnson is reported to be in harmony with Chiang Kai Shek on the matter of Japanese relations to American commercial interests in China.

Much harm has already been done by the degree of credence given to Chinese propaganda as to Japan's ultimate purposes in China and Asia. That Japan should attempt to interfere in any way with American commerce after a settlement of the present difficulties ~~is arrived at~~ is so improbable on the face of it that one stands amazed at the idea that men of public affairs should give such an idea any attention whatever. I can only hope that Mr. Johnson has been misrepresented in the reports made about him.

It should be clear to even an average intelligence that that an entire readjustment of international relations with China is inevitable. No matter which way the present conflict turns, China will not longer endure the extraterritorial status under which she has writhed for so long, and which the Nine Power Treaty was created <sup>to</sup> deal with. With the readjustment of that status, the Nine Power Treaty will automatically become obsolete, and the Open Door Policy which is its corollary, will cease to function. In the readjustments which must follow, Japan will take her place

793.94/14576

F/FG 14576



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among the other nations concerned in whatever agreements are arrived at as to commercial relations.

The Chinese purposes are clearly designed to mislead and confuse the situation in the hope that measures may be taken by the American and British governments in particular, to involve and embarrass Japan. The various notes which have been going to Japan protesting the Japanese military measure which naturally interfere with the regular course of commerce, are giving to the Chinese both unwarranted and undeserved encouragement. To suppose or assume, as our Government apparently is doing, that measures taken under the stress of military necessity, represent anything more than temporary disruptions, seems so unusual as to give to them an unreasonable aspect. The effect of these protests is to encourage China in her hopes of American intervention, and prolong the conflict which, with a different attitude on the part of our Government, would long since have been brought to a close.

It cannot be too often called to attention that under the Nine Power Treaty, China was under obligation to preserve equality of opportunity and good will to all the members of that pact. As a corollary of that obligation, it was equally incumbent on the members of the agreement to assist in securing such condition. Not only has that not been done, but <sup>Japan</sup> has been the butt <sup>of</sup> unceasing innuendo and thinly veiled hostility, of practically all of the members of that agreement, and particularly has that been true of the American press which loses no opportunity to inflame American public opinion against Japan; even to fomenting the absurd idea that we are in danger from invasion from Japan. All this inspired China to persevere in her hostile attitude to Japan, ~~which~~

which had for its foundation mainly the jealousies of Japan's attainment of the status of one of the great nations of the world, and so of release from the irritating disabilities under which China was forced to remain.

(the Chinese)

Of course they have played up the charge against Japan ~~that~~ that she is a treaty breaker in the matter of Manchuria. The Western members of the Nine Power Treaty have condoned (for reasons which I do not know) this charge, which continues to be so damaging to the matter of right understanding.

Most surprising of all is the way in which our Government's attitude encourages the contempt expressed in our press for Japan's reference to her paramount interest and responsibility for preserving the peace of the Orient. The present conference in S. America is only one of a series of long continued efforts to secure for ourselves just that status in the American Continents. The interests actual and potential of these continents <sup>are</sup> by comparison, insignificant contrasted with those of which Japan is the logical center - being as she is the only stable power on the Eastern shores of the Western Pacific. The logic of the situation should command the sympathetic attention of the American Government and people.

Unless I am greatly mistaken in the temper of Ambassador Johnson's reported attitude, there is great danger <sup>of</sup> further complicating an already sufficiently misapprehended situation to the damage of international concerns. It is of course obvious to the Japanese that a degree of unreasonableness is present in the persistent protests presented by our Government, from which there must inevitably develop a growing irritation which might be so easily avoided by a more sane understanding of the events and forces

which created the present situation.

I am not unmindful of those events which occurred in Manchuria between 1912 and 1931, one aspect of which appears to indicate a recognition by Japan of China's claim to Manchuria. It is a reasonable assumption that Japan would have recognized at that time a formal annexation of Manchuria by China, as the Manchu abdication was an ostensible act of surrender. The record does show, however, that Japan made formal and strong objections to Manchuria being included in the four power loans to China, clearly indicating a different understanding of the existing relations of China to Manchuria.

At all events it seems highly desirable now that our Government should recognize Japan's paramount interest in all that concerns the "Far East". How else can we justify our attitude to the affairs on the American continents! Such a recognition would go far to clearing up the current situation, and in the ultimate relations to be established, we should no doubt much benefit. We need to give far greater consideration to the right of Japan or of any country, to defense, even to the extent of armed conflict, against long continuing and unceasing hostility.

I cannot escape a feeling of foreboding that much that is unfavorable to right understanding may come of representations which may be made by Ambassador Johnson, fresh from the influence of the so plausible Chinese propaganda. I could wish that there might be some counteracting influence from some American citizen who has a different point of view.

Yours respectfully,

From  
T. J. League,  
114 Buist Ave.,  
Greenville S. C.

*T. J. League*

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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

December 28, 1938.

Dear Mr. League:

Your letter of December 27, commenting upon various aspects of the Far Eastern situation and relations of the United States with countries of the Far East, is before me and I shall bring its contents to the attention of certain of my official associates.

Yours sincerely,

STANLEY K. HORNBECK

Mr. T. J. League,

114 Buist Avenue,

Greenville, South Carolina.

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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

793.94

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Hankow/135 FOR #530

FROM Hankow (Josselyn) DATED Nov 10, 1938.  
TO NAME 1-1127 ...

REGARDING: Sino-Japanese situation: Developments of the month of Oct., 1938.

FRG.

793.94/14577

14577

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 Japan:

1. Military Field Operations:

The number of troops engaged in the Wuhan campaign is believed to be substantially the same as last month.

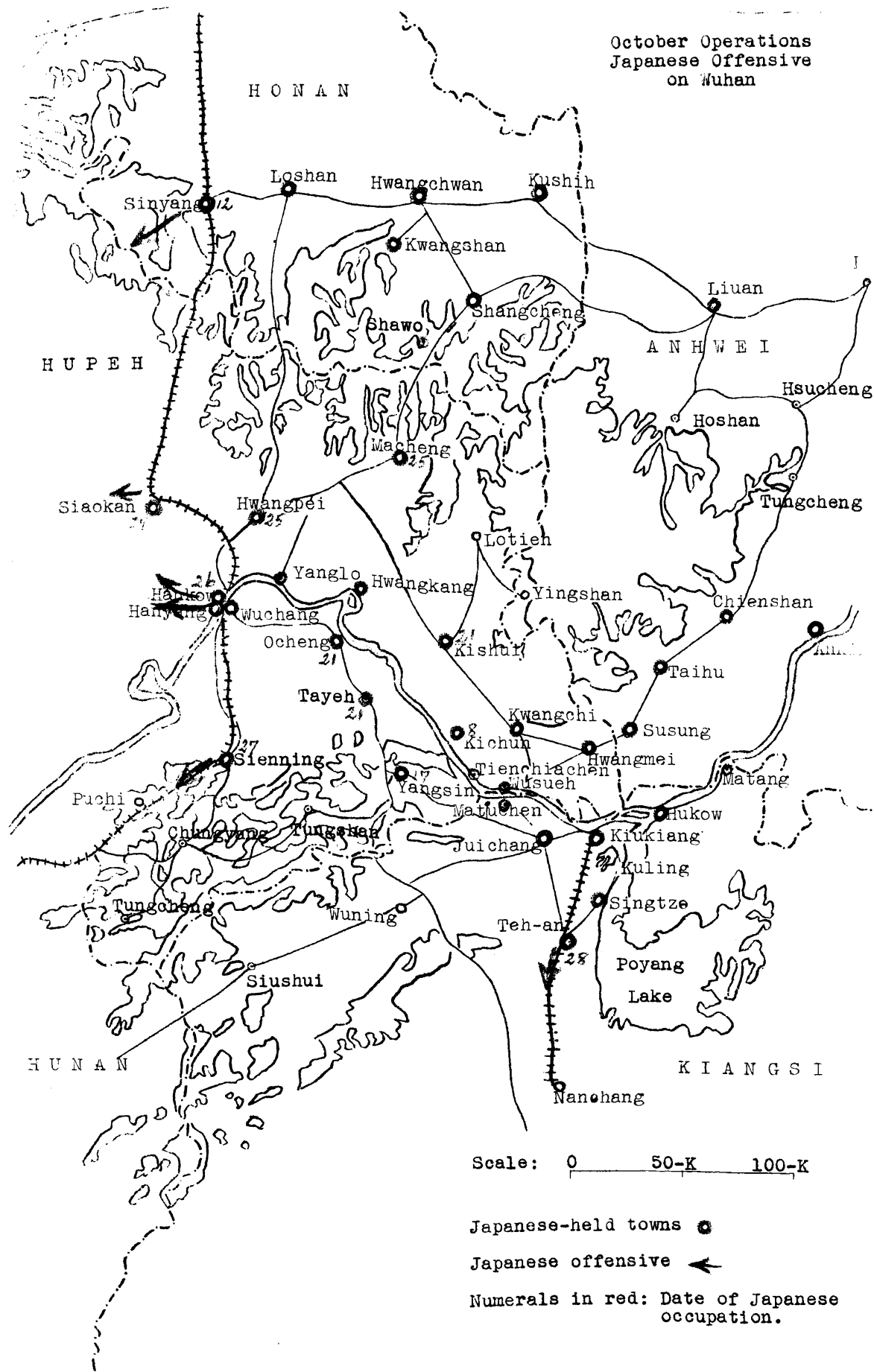
793.94  
Pg 5-13

The most rapid October advance of the Japanese army in the Wuhan campaign was apparently the offensive, coordinated with naval action, along both banks of the Yangtze. The dates of occupation of important towns are shown on the attached map, but are not to be regarded as authoritative, as during the month under review there was slight opportunity to check conflicting Chinese and Japanese statements concerning dates of occupation.

The military advance along the Yangtze banks is believed to have been based on transports convoyed by the navy. Troops and marines are thought to have been landed for action and garrisoning as the joint army and naval forces moved up the river. A large number of the force which on October 26, occupied Hankow disembarked fresh from transports.

Casualties

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



Political report  
October 1938  
Hankow, China

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Casualties are believed to have been heavy on both sides until about the third week in October when the general Chinese retreat began. In mid-October approximately 1,500 wounded a day were arriving in Wuhan from only the Yangtze and Tapieh Mountains fronts.\*

The offensive north of and in the Tapieh Mountains (大别山) accomplished the cutting of the Peiping-Hankow railway at the village of Liulintien (柳林店), Honan on October 7.\*\* The capture of Liulintien was reportedly made by a very small detachment of Japanese cavalry, despite the presence in the vicinity of large Chinese forces and Chinese mechanized units. General Hu Tsung-nan, one of General Chiang Kai-shek's favorites who had distinguished himself in civil warfare, lost Sinyang five days after the fall of Liulintien. Having cut the railroad in two places the Japanese did not pause, but pushed further westward, where at the end of the month they were some thirty kilometers west of the line continuing their advance.

Until the last ten days in October the Japanese column based at Shangcheng (商城) and with Macheng (麻城) as its objective met stubborn Chinese resistance. It was unable to make progress even when resorting to gas. Perhaps a week before Wuhan fell the Chinese withdrew and the Japanese marched south and west to the Peiping-Hankow railway meeting virtually no opposition.

The main Japanese effort south of the Yangtze was an offensive from the Yangsin (阳新) area directed at the Canton-Hankow railway in the vicinity of Sianning (咸宁). Because it was essential that this railroad remain in

Chinese

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\* My telegram October 14, 2 p.m.

\*\* My telegram October 7, 4 p.m.



Political report  
October 1938  
Hankow, China

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Chinese hands until men and arms from the Wuhan area had been moved to Changsha and Hengyang. General Chiang committed some of his best forces to stemming the Japanese assault on the Sianning sector. This line was successfully held until after the fall of Wuhan.

The Chinese claimed a victory in which two Japanese brigades were allegedly annihilated west of Tehan (德安). The date of the triumph coincided uncannily with the national holiday of October 10. The considerable Chinese claims of this victory were not substantiated to the satisfaction of neutral observers.

Three or four Chinese divisions have remained in the Taphieh Mountains to conduct mobile warfare behind the Japanese lines.\* One Central Government division was ordered during the latter half of October to northeastern Kiangsi for the same purpose and another division to the area north of Hofei (合肥), Anhwei.\*\*

At the close of the month the main force of the Japanese was pursuing the retreating Chinese north of Hankow and south of Wuchang. They had apparently not been deflected from their main objective, - the Chinese armies, - by the symbol of victory i.e., the capture of Wuhan.\*\*\*

## 2. Naval Operations:

As has been suggested, the Japanese advance in October up the Yangtze and along its banks is believed to have been accomplished primarily by naval action. High Japanese naval officers state that during the month under review they met no opposition to match the severity of the engagement at

Tienchiachen

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\* My telegram, November 1, 3 p.m.

\*\* My telegram No. 1, October 22, 2 p.m. See also this review, Section: General Chiang Issues Manifesto.

\*\*\* My telegram No. 1, October 22, 2 p.m.

Political report  
October 1938  
Hankow, China

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Tienchiachen (田家鎮) in late September, which battle they declare was the hardest fought in their operations between Kiukiang and Hankow.

Chinese mines, both anchored and loose, retarded the Japanese naval advance and reportedly damaged a few vessels. The mines were laid with the assistance of German experts. Chinese inefficiency and the presence of Japanese agents amongst the field crew vitiated, however, much of the work done.

The fleet of Japanese men-of-war and auxilliary vessels which appeared at Wuhan at the time of the fall of the three cities and immediately afterward suggested that the Japanese had committed to naval action between Kiukiang and Hankow at least 30 destroyers and other men-of-war of approximately the same tonnage, 10 gunboats, and 1,000 fishing vessels, sea-sleds, freighters, small passenger steamers, tugs, and auxilliary vessels.

### 3. Aerial Operations:

Japanese aircraft continued intensive attacks on Chinese defense works, lines of communication and military bases. Retreating Chinese troops and, reportedly, refugees were strafed and bombed by Japanese airplanes.\* Foreign journalists who followed the Japanese into Hankow stated that with few exceptions towns and villages in the path of the Japanese advance were completely razed, primarily from aerial bombardments.

In their aerial bombardments of Wuhan during October the Japanese were more selective than they had been during  
the

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\* My telegram No. 13, October 25, 4 p.m.

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

Political report  
 October 1938  
 Hankow, China

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the summer months. With their armies aiming at and nearly accomplishing an effective envelopment of the three cities, it was obvious that the bombing of any properties other than those being removed further into the interior would simply be destruction of wealth potentially their own. The intensive aerial bombardment of Wuhan on October 23, was confined to railway yards, presumably designed to immobilize south-bound traffic.

The Chinese air force was comparatively inactive during the month under review, having been reported in action only once at Loshan, ( 羅山 ) Honan on October 6, once on October 10, at Tienchiachen and Wusueh ( 武穴 ) on the Yangtze and once on the same day at Hengyang ( 衡陽 ), Hunan.

Chinese anti-aircraft fire which has been conspicuously poor at Wuhan was reported in early October to have been more successful at Hengyang, bringing down six Japanese bombers attacking that city.

#### 4. The Chinese Withdraw from the Wuhan Area:

##### a. Implications:

The Chinese decision to abandon the defense of the Wuhan area, it was explained by the spokesman of the National Military Council, was based on the fundamental Chinese strategy of prolonging hostilities with Japan.\* The Chinese recognize their own limitations: their lack of coordination,\*\* their deficiency in aggressive combat spirit, their shortage of heavy arms. The only military program, therefore, which can be expected to defeat Japan is the one being pursued: a campaign of (1) prolonging hostilities in an effort to exhaust Japan economically and militarily,

(2)

\* My telegram No. 12, October 25, 2 p.m.

\*\* My telegram October 19, 3 p.m.

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Hankow, China

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(2) conserving China's military strength and, (3) when not impelled by vital considerations, avoiding battle in situations advantageous to the Japanese. For the Chinese to have fought a determined positional engagement in defense of Wuhan would have been a gamble which might have culminated in what the Japanese have sought and still seek, a conclusive defeat of organized Chinese resistance.

By retiring from the Wuhan area the Chinese have preserved intact their main forces, maintained the morale of their armies and, as a consequence of these, ensured a continuation of organized resistance to the Japanese invasion.\*

In recognizing the foregoing, the magnitude of the loss to the Chinese in the fall of Wuhan must not be underestimated. With the abandonment of these three cities the Chinese lost their last large manufacturing, commercial and communications center. Strategically it meant an extension of the Japanese line severing effective contact between Chinese units in north and south China. Wuhan is now also a natural base for potential Japanese offensives, especially aerial, directed at the remote interior of the country.

b. Events:

The Chinese withdrawal from the Wuhan area was adroitly executed.\*\* The main body of retreating troops did not pass through these cities. Those north of the Yangtze retreated westward, (in some disorder, it is later learned), passing well north of Hankow. Those south of the river but above the Japanese column driving toward the Canton-Hankow railway fell back westward and then pivoted around Sianning (咸甯) to the

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\* My telegram No. 1, October 22, 2 p.m.

\*\* My telegram November 1, 3 p.m.

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to the south. The Chinese divisions holding the Tehan (德安), Kiangsi sector, as did those protecting Sienning, held firm until the south bank withdrawal from the defense of Wuhan had been accomplished.

Tehan, like Sienning, was a key point for the Chinese. It was their strongest position athwart the Japanese route to Nanchang, which city it was strategically imperative the Chinese should hold at least until their main force had retired to central Hunan. The resolute defense of Tehan and Sienning atoned somewhat for the feeble showing at Sinyang.

The Chinese withdrawal from Wuhan, in contrast to the Japanese occupation of the three cities,\* was made with a minimum of hardship to the civilian population. There were no reports of looting or brutal treatment of the people by retreating Chinese troops. Chinese soldiers did, however, loot Japanese properties. Other foreign property was untouched.

General Chiang Kai-shek left Hankow, presumably for Changsha, on the night of October 24.\*\*

General Pai Ch'ung-hsi (白崇禧) departed during the latter half of October from Hankow for Changsha where he was to assume direction of the defense of Hunan, together with coordination of Kwangsi military activities with those of Hunan.\*\*\*

General Chu Teh (朱德) flew to Hankow on October 22, returning to the northwest the same day. While here he is said to have discussed with General Chiang the problem of contact and coordination after the fall of Hankow between the Eighth Route Army and Central armies north and south of the Yangtze.\*\*\*

#### 5. The Canton Debacle:

\* See this review, page 20

\*\* My telegram No. 10, October 25, 9 a.m.

\*\*\* My telegram No. 41, October 24, 10 a.m.

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

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##### 5. The Canton Debacle:

A high Chinese General Staff officer in Hankow declared shortly after the loss of Canton, "when we telegraphed the Kwangtung Government to prepare headquarters for Ho Ying-chin to conduct the defense of Canton and received no reply, we suspected something was wrong; when we telegraphed Yu Han-mou personally to the same effect and still received no reply, we were certain something was wrong."

It was keenly felt here that those responsible for the farcical defense of Kwangtung had dangerously betrayed the Chinese campaign of prolonged resistance. The Chinese reserve of munitions is limited. The facile Japanese cutting of the source of supplies from Hong Kong was as serious if not more serious a blow to the Chinese defensive struggle than the loss of Wuhan. Chinese resistance to Japanese invasion will continue, but because of the loss of Canton, in a much weakened form.

Analysing the Japanese campaign in Kwangtung, Chou En-lai (周恩来), the prominent Communist leader, observed that the attack on South China was an indication of Japan's new program of enlarging the scope of hostilities in an effort to crush organized Chinese resistance and bring the conflict to a quick conclusion.\* Japan was emboldened to launch this campaign, Chou declared, by the display of British and French weakness in the Czechoslovakian crisis.

The Japanese further hope, Chou went on to observe, that the British and French Governments will, in an attempt to salvage their interests in the Far East, especially South China, exert pressure on the Chinese to sacrifice

themselves

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\* My telegram No. 9, October 24, 8 p.m. summarizing editorials in HSIN HUA JIH PAO, October 23, 24, 1938; official Communist daily.

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

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October 1938  
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themselves through capitulation. Refuting the validity of this Japanese point of view, the Communist leader contended that not only was the Chamberlain policy of appeasement an obvious failure in Europe but that it is not even applicable to the Far East. The reasons are plain: (1) China will not capitulate as Czechoslovakia did, and (2) British interests are greater and more directly affected by Japan in the Far East than they were by Germany in Central Europe.

Chou also expressed the opinion in an interview with a foreign correspondent that the Kwangtung campaign represented the first step in Japan's southward expansion.\*

6. General Chiang Issues Manifesto:

According to press reports General Chiang Kai-shek issued on October 31, a manifesto addressed to all of the people of China announcing that the hostilities with Japan had entered a new stage.\*\* He is said to have declared that the character of Chinese tactics were changing, that from then on the conflict was to be waged behind the Japanese lines as well as in frontal engagements.

So far as can be determined from the meager information available here after the fall of Wuhan, General Chiang's appeal follows the general outline of communist proposals that greater emphasis be laid upon attacking the rear of the Japanese and organizing the populace for total resistance. If this is true, the situation is not without elements of historical irony, - General Chiang following the admonition of those whom he so bitterly fought for ten years, making common cause with an old enemy and employing tactics formerly used so successfully against himself.

C. Relations

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\* My telegram No. 2, October 22, 5 p.m.

\*\* " " " " " "

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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. Amoy/133 FOR # 176

FROM Amoy (Altaffer) DATED Nov 16, 1938  
 TO NAME 1-1127 ...

REGARDING: Sino-Japanese situation: developments of month of Oct., 1938.

FRG.

793.94/ 14578

14578



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 Japan.

1. The fall of Canton.

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(pg 3-8)

The landing of an expeditionary force of Japanese troops at Blue Bay in South China during October came as a shock to the people in this consular district, although the rumor was current that a large number of Japanese transports were proceeding South some two weeks in advance of the happening. The subsequent fall of Canton without much resistance had a discouraging effect on many Chinese in South Fukien and undoubtedly tended toward a lowering of morale in parts of this district. This lowering of morale, however, was partly a result of uncertainty in the minds of the people whether the Provincial Government would offer any military resistance if an attack was made in Fukien.

The appearance of about thirty vessels of the Japanese home fleet in Amoy on October 20th, and the maneuvering of landing boats in the harbor, led to the rumor that the Japanese were going to capture

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

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capture Chieh-be (石埭) and Changchow (漳州).  
 In spite of the alarm caused by this unusual appearance in Amoy of part of the Japanese fleet, however, there was no general exodus of Chinese from the above mentioned towns.

2. No unusual military activity in October.

Aside from the alarm caused by the sudden appearance in Amoy of thirty-two vessels of the Japanese Navy, the peace and quiet of Amoy were disturbed by almost daily shelling of points on the mainland by Amoy batteries during October. Only a few shells were fired each day, and it is believed that there were not many casualties as most of the people have evacuated the fringes of the mainland around Amoy. A Chuanchow daily newspaper reported that there were twenty-six casualties in the town of Hai Cheng (海澄) during the months of August and September. Hai Cheng (海澄) is only a few miles inland on the mainland and, until recently, has been the temporary seat of the Amoy Chinese Municipal Government.

3. Fishing vessels captured and burnt.

Deprived of their livelihood during the past year and faced with destitution, Amoy fishermen have often risked death by drowning and destruction of their junks, by trying to elude the Japanese Naval Patrol in attempts to sail out of the harbor to places where they have been accustomed to fish. On the night of October 12th, only seven out of eight fishing junks

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

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junks which left Amoy succeeded in returning.

4. Japanese Naval permit withheld for shipment of gasoline.

As stated in this Consulate's political report for September, Japanese Naval Authorities informed the local manager of Standard-Vacuum Oil Company that they reserved the right to withhold permits for the shipment from Amoy of petroleum products except kerosene." On October 1st, a Chinese employee of the Standard-Vacuum Oil Company of Amoy presented an application to the Japanese Naval Headquarters in Amoy requesting permission for the shipment of 12,000 five-gallon tins of motor gasoline from its installation on the Chinese mainland to Swatow. The Japanese Naval Authorities refused to approve the application on the grounds that the shipment was for war purposes, although the Company pointed out that the gasoline was to be shipped to meet the normal requirements of its Swatow selling area. The stocks had run short in that place due to a delay in the arrival of direct shipments from abroad. It was decided that formal representations to the Japanese Consulate General would not be made in this case, as previous protests against restrictions on the movements of petroleum products belonging to the Texas Company (China) Ltd., had only been followed by procrastination and delay. However, the matter was brought up with the Japanese Vice Consul, during the

\*Consulate's October 3 - 4 p.m. to Ambassador and Department.

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

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the course of an informal conversation on other subjects, and since the Vice Consul showed no disposition to go into the case, it was casually mentioned that a report was being made by Naval radio to the Ambassador at Chungking. In the meantime, the Japanese Consulate General gave no intimation that it was taking up this matter with the Japanese Naval Authorities in Amoy, but the local manager of Standard-Vacuum Oil Company informed me on October 5th, that the application for the same shipment was again presented to the Japanese Naval Authorities on the previous day, and approval was given without any comment. It was inferred from this that the Consulate General passed on to the Naval Authorities the information that this Consulate was requesting instructions from the Embassy in regard to this matter, and that they decided to approve the shipment without further ado. The Consulate has ascertained that, since the above mentioned incident, neither of the American oil companies in this port have experienced any further difficulty in obtaining permits for the movement of their products.

5. Japanese suppress Communistic Tendencies in AMOY.

On October 5th, the Japanese Authorities in Amoy claimed Chinese soldier's badges and handbills alleged to have been distributed by Chinese guerillas were picked up in Hosan, Amoy Island. As

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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 result of these finds, over one hundred Chinese arrests were made and martial law was declared.

#### 6. Formosan Immigrants.

Since proclamations issued by the Japanese Naval Authorities failed, in many cases to effect the return of many Chinese to their homes and shops in Amoy, many Formosans were lured to this port on the promise of rent free quarters and business opportunities. However, many Formosans who came to Amoy soon after the Japanese occupation are reported to have returned to Formosa sadly disillusioned by the generally dead aspect of the place.

#### 7. Rehabilitation Lottery.

Since the administrative cost of running Amoy has been considerably more than receipts from taxes, salary payments to officials and police have been uncertain. In order to remedy this situation, the Japanese Authorities in Amoy established what is known as "The Rehabilitation Lottery Office" on October 16th. This office will hold a lottery once each month, issuing for sale each time, ten thousand tickets selling at one dollar each. Each ticket is divided into coupons selling at 25 cents each. The Lottery Office announced that fifty per cent of the takings will be paid out in some 1400 prizes, the first prize being \$2000, provided all tickets are sold. It also announced that the balance of the money taken on each lottery will be turned over

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over to the Peace Maintenance Committee in Amoy. It is said that 10 per cent of the salaries of the officers of this Committee are to be paid from the lottery. Each official has lottery tickets doled out to him to dispose of, in proportion to his salary. The cost of the tickets doled out to officials for sale are said to be deducted from their salaries in advance.

8. Philippine owned Property in Amoy Occupied by Japanese.

Presumably acting in accordance with proclamations warning Amoy property owners to return to empty residences and shops by August 31st, or have their properties taken over and rented, the Japanese police in Amoy occupied on October 12th, the Amoy offices of the China Banking Corporation, a Philippine concern. The local manager informed the Consulate of the occupation of the bank's property on the morning of the above date and the Consulate immediately filed a protest with the Japanese Consulate General against this unwarranted intrusion and requested that the property be immediately vacated. The bank manager informed the Consulate that the property was vacated the next day, although the Japanese Consulate General did not reply to the Consulate's note until November 10th.

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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. Huatzen NARS, Date 12-18-75

**TELEGRAM RECEIVED**

FROM

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

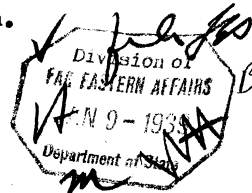
MARDET TIENTSIN

January 9, 1939

Rec'd 7 a.m.

ACTION: OPNAV

INFO: COMDR MARFORCES IN NORTH CHINA  
CINCAF  
FOURTH MARINES



3.94

0009. From Direction Tientsin third January three  
hundred Nip wounded placed on transports at Chinwangtao  
two five zero troops passed Shanhaikwan ward. 0825.

DDM

793.9.4/14579

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

No. 8

OFFICE OF THE ADVISER ON  
INTERNATIONAL ECONOMIC AFFAIRS  
JAN 14 1939  
DEPARTMENT OF STATE  
RECEIVED  
DEPARTMENT OF STATE  
AMERICAN CONSULATE,

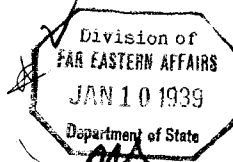
Tsinan, China, December 6, 1938.  
1939 JAN 9 PM 2 13

DIVISION OF  
COMMUNICATIONS  
AND RECORDS  
SUBJECT: FALL OF TUNGCHANGFU.

For Distribution-Check  
To File In  
In U.S.A. ☒  
11  
CIV-MID

The Honorable

Nelson Trusler Johnson,  
American Ambassador,  
Peiping, China.



Sir:

793.94  
JAN 13 1939  
DEPARTMENT OF STATE  
ASSISTANT SECRETARY  
OF STATE

I have the honor to quote the following from a  
letter addressed to this Consulate on November 26, 1938,  
by an American missionary at Tungchang, on the Grand  
Canal in western Shantung, concerning the capture of  
this city by Japanese forces on November 14th:

"You doubtless know that the Japanese army  
arrived here on the 14th, entering the city on  
the next morning. Fan Sau Ling and his soldiers,  
then in the city, were all killed, unless it be  
a few who managed to escape.

"Of course all business is at a standstill.  
The Post Master managed to get away before the  
arrival of the troops, and went to the Catholic  
Mission at Porli. Yesterday he returned, and  
I accompanied him into the city for the purpose  
of seeing the Japanese Officer with reference to  
his returning, and opening a branch office here  
in the East Suburb, which he hopes to do at once.

"Everything is apparently quiet, here around the  
city, but there are still many of Fan's soldiers to  
the West of here. So far as we can learn they are  
behaving moderately well.

"We have possibly three hundred refugees,  
mostly our neighbors, filling our compound, sleeping  
in the church or wherever they can find room. They

seen

793.94/14580

F/FG 14580



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 -

seem afraid to return to their homes to sleep, though many return during the daytime to prepare their food."

The Commander Fan, referred to in the first paragraph quoted above is Fan Chu-hsien (范築先), former Special Commissioner for the Tungchang area, appointed by the Central Government. With the outbreak of hostilities he assumed command of the guerrillas in that region, and is said to have recruited some 20,000 men. However, the number engaged in defending the city of Tungchang is estimated to have been only two and three thousand.

Mr. Woodford Taylor and the Misses Clara D. Kortemeier and Gail Kiser, the only Americans in Tungchang, are safe.

Respectfully yours,

Carl C. Hawthorne,  
 American Vice Consul.

800  
 COH/KCC

Original to Embassy, Peiping,  
 5 copies to Department,  
 Copy to Embassy, Chungking.

A true copy  
 of the original  
 is being  
 furnished  
 to the  
 Department  
 of State  
 for its  
 files

133  
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

RECEIVED  
DEPARTMENT OF STATE

1939 JAN 9 PM 3 22

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

December 20, 1938.

793.94  
H.E. Cordell Hull,  
Secretary of State,  
United States Government,  
Washington, D.C.,  
U. S. A.



Your Excellency:-

I beg to submit the enclosed  
article to Your Excellency, toward whom I  
have always entertained profound respect,  
and await expression of your frank opinion.

Respectfully Yours,

(Tetsuma Hashimoto)  
The Shiun-so

793.94 / 14581

JAN 10 1939  
RECEIVED

# JAPAN'S WO

hold "which has been its national principle since the founding of the Empire, means nothing but the wish to bring about an age of co-existence of all nations and co-prosperity of human beings, and to center all policies towards others in this ideal."

As long as Japan aims at materializing the ideal of "The world, one household" and possesses the great unselfish and unlimited love, all countries of the world are our friends, and all their peoples our brothers. Thus in the whole world there will be no nation nor people that Japan hates. Japan may sometimes strike at those who do not submit, but such will be only family affairs and punishment is given simply because we love them.

It must therefore be the meaning of the so-called "The world, one household" to make the whole world trust in Japan's great unselfish and unlimited love, and to change the direction of the former utilitarian civilization, and reversing the present world condition of aggravating struggles of utilitarian confrontation to bring about the co-existence of all nations and co-prosperity of humanity.

## —From 'Isms' to 'Way'—

Among the nations of Europe and America today it seems that some nations are making democracy their national spirit, others racialism, and again some totalitarianism and others communism. But all such "isms" are only the branches of utilitarianism born in the European civilization. None of them is based on the great unselfish love—all embracing love—or the way of the Universe, absolutely free of utilitarianism or confrontation. Thus wherever any of those "isms" prospers there are constant struggles of utilitarian confrontation and there is never brought true peace to humanity.

(All that are called "isms" are something that mean confrontation with others. But such are not the Way of the Universe, which is ever true even extended to the limit of the future. But what are known as "isms" cause contradictions and differences with others and harm to some parts when their application is extended to a wider circle.) It is Japan's pride that the great love entirely free of utilitarianism and confrontation—thought based on the way of the Universe, aiming at the happiness and welfare of the entire humanity without a single exception—is found only in the spirit of our national policy or our Divine Way (Kodo), in the whole world. At the same time we feel sorry for other nations and their peoples, and sincerely desire that they will give up their inconsistent confrontation principles and will take all together the road to permanent peace and prosperity, hand in hand with us.

## —Manifestation of Creative Power—

IV. The fourth essential factor in deciding Japan's world policy is the realization that Japan aims at "The world, one household" or an era of co-existence of all nations and co-prosperity of human beings must manifest great creative power to bring peace and prosperity to all nations on the basis of her great love.

The creative power of human beings can be manifested unlimitedly when the aim is set at a great and noble object on the motive of unselfish love. Thus if the people of Japan manifest their creative power from the standpoint that the whole world is one, on the basis of great law of life, with the premise of the great love sufficient to cover the entire universe (that is to say, to manifest creative power from the standpoint that by bringing prosperity of others, their own prosperity will be naturally brought about), there is no doubt numerous plans will be produced in Japan for bringing peace and prosperity to the world.

I. The first essential fact in deciding Japan's world policy is the clear recognition that the present China Incident is a great turning point from the "modern era," which has been featured by the ugliest utilitarian confrontation struggle known to humanity, to a new era of co-existence of all nations and co-prosperity of humanity.

The guiding spirit of civilization in the modern age from the eighteenth century to the present—mainly the age of the European civilization—has been based on the idea that the manifestation of mutual utilitarianism, politically and economically, will bring progress and prosperity to the world. Thus nations as well as individuals engaged in utilitarian confrontation struggles. Just as in the animal world, the strong preyed on the weak, but none thought it wrong. The ravage of the World War, twenty years ago, was the Heaven's warning that has revealed most vividly to the peoples of all countries how the guiding spirit of this modern age is contrary to the ideal of co-existence of all nations and co-prosperity of humanity.

But unfortunately, the evil fate of the modern people might have been too strong, and while they deeply shuddered in recollecting the miseries of the War, they did not learn any lesson from it and did not change the course of their civilization. On the contrary their utilitarian confrontation struggles were augmented, and they have proceeded blindly toward the destruction of the human life. Such has been the condition up to the present.

## —Destruction by Material Progress—

II. The second essential factor in deciding Japan's world policy is to know that if the guiding spirit of civilization is left in the former utilitarianism, scientific discoveries and mechanical inventions which are bound to multiply in the future, will lead the human life in accelerated speed to utter destruction.

It is quite evident that under the utilitarian civilization all mechanical devices to be brought about by the progress of material science will be utilized as tools for utilitarian struggles. Thus the application of such mechanical power may appear in form to show the brilliant progress of civilization, but viewed from a substantial standpoint, there is not a small tendency of leading the human life down to extreme materialism, and thus making human beings slaves to machinery. Actually human beings are now being enslaved by machine that should be used by them as a tool for the betterment of the human life.

By mechanical inventions and contrivances that are being made every day, causes everywhere the reversal of values and sudden changes in conditions, to which the people have no time to adjust themselves to the new conditions. Look at the miserable plight of the human being now being dragged around by various machinery.

Therefore, the further progress of machinery under the former utilitarian civilization of Europe will clearly aggravate the human life to its ruin at accelerated speed. But to transform such innumerable machineries to tools for betterment of the human life and for giving all necessities of human race and leisure moments for advancing the cultural life, there is no other way but to change the guiding spirit of modern civilization from the former utilitarianism to the spirit of co-existence of the nations and co-prosperity of mankind.

## —'The World, One Household'—

III. The third essential factor in deciding Japan's world policy is to understand that ideal of "The world, one household."

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

# RLD POLICY

Take, trade situations for instance. Because all nations attempt to occupy a superior position in international balance, manifesting selfish utilitarianism, they have to suffer on account of high tariff policy, export and import quotas, exchange control, boycotts, economic dumping, bloc economy and also expansion of armaments. If the Powers of the world realize that mutual excess or shortage in international balance do not guarantee their own or others' stability, and plan adjustment and cooperation of mutual trade every year on this standpoint, the worries and difficulties of useless trade competition will be greatly moderated. When principal nations adopt this attitude, some mutual organs may be organized for that purpose, and then matters will progress satisfactorily.

Again, at the time of any world financial depression, the more all nations try to save themselves from its evil effects at the sacrifice of others, the more aggravated will become the world depression. But if the Powers will cooperate faithfully and adopt joint measures for mutually supplying the needs of all by investigating into what one has in excess and what the other lacks, instantly the depressive atmosphere will disappear, it is very plain.

This spirit may be applied to numerous cases for bringing about an era of co-existence of nations and co-prosperity of humanity in the future. But the confrontation utilitarianism that benefits only parts and harms the whole or benefits certain nations and injures the others, without encouraging the mutual prosperity spirit that comes from the idea of regarding all as one, or the attempt to maintain the peace of the world by the League of Nations and various international conferences proposed by one or two great invader-nations of the past for maintaining their own superiority at the sacrifice of others, are entirely astray of the Way of the Universe because of the extreme poisoning by utilitarianism, and are acts of the fool who has lost rational power of creation.

## —Minimum Bloc Economy—

**V. The fifth essential factor in deciding Japan's world policy is the realization that as Japan aims at the creation of the great age of self-sufficiency for all nations of the world, the so-called bloc economy should be limited to the unavoidable minimum.**

By the great age of self-sufficiency for the world as a whole, is meant the age of "The world, one household" in regard to natural resources when all nations of the world unite in the spirit of mutual existence and prosperity and are able to freely utilize the world natural resources under proper conditions, mutually supplying what others need.

To speak more concretely, Japan must proceed to strengthen the bloc economy of Japan, Manchoukuo and China as long as the other utilitarian nations do not change their policies of prohibiting immigration, blockading natural resources, building high tariff walls, and forming economic blocs, or of refusing to recognize the new condition in East Asia. But as the attitude of other Powers changes, Japan's policy must also be changed, and it should be Japan's policy to take the attitude of being friendly with neighboring countries under mutual protection and of effecting mutual supply of needs, and then to extend this relationship to the entire world.

On the contrary, if Japan be engrossed in the bloc economy of the three nations alone, and plans for the future with only the desire of monopoly by the three nations and the principle of exclusivism, the China Incident will lose its entire significance in the history of humanity and will result in replacing the tyrannic utilitarianism of other countries with Japan's own tyrannic utilitarianism. Even if that may succeed, "The world, one household" will never be materialized and what will be brought about will be only the "three nations, one household" or the self-glorification of the three nations.

In short, the present China Incident is a great turning point to change from the utilitarian confrontation struggles

of the world—that is the age of animalism civilization of the strong preying on the weak—to the age of human civilization of co-existence of nations and co-prosperity of humanity.

## —Key in Japan's Hands—

But the key to that turning point in the world history is held in the hands of Japan. Japan is the country that is opening the iron gate of the new era and advancing at the head of the times. Thus the world policy of Japan for the future must be a grand policy as above mentioned, being absolutely free of utilitarianism and confrontation, and fully conforming to the Way of the Universe.

Therefore for this end, the policy of Japan in regard to the present China Incident must be free as far as possible of narrow-mindedness, quick temper, stinginess, self-glorification, monopoly, avarice, exclusivism, and tyranny; and must contain broad-mindedness, amity, cooperation, conciliation, mutual prosperity, brotherhood of the world, and equality. As Japan gives such consideration on her policy, the light of the new age of co-existence of all nations and co-prosperity of humanity will rise in the Orient.

If so, all nations of the world will most naturally come forward to cooperate with Japan. But yet among the people of Europe and America who were even unable to learn any lesson from the great ravage of the World War, there still might be some who do not change their attitude and may try to oppose Japan's world policy, being unable to understand the Heavenly message contained in the present China Incident and thus counting only partial materials concerning the incident.

For instance, one of such attempts is to invite Japan to certain sorts of international conferences and to "arrange the Far East to suit themselves and their ideal" and to give Japan "morally and materially as bitter a blow as two friendly nations have ever delivered against a third," as Sir Arthur Willert said (mentioned in our last statement). If Japan refuses to attend such international conferences, another attempt may be made to bring economic pressure on Japan by several countries jointly or to threaten Japan with the manifestation of determination to resort to war.

But if Japan possesses determination to meet such a challenge of nations that confront us with violence, however many nations might be united together against us, she is bound to win in the end, and the result will be a further expansion of Japan's national strength. Thus the people of Japan need not be surprised at all at such developments.

There is no enemy force that can approach the sphere of influence of Japan, from any part of the world, fighting against our Army and Navy planes and submarines. If there be warships or airplanes that dare to approach our sphere of influence, instantly they will be almost entirely shot down or sunk. Such nations themselves will soon sink into the second or third rate countries of the world, there is no doubt.

Among the experts of foreign lands as well as of Japan there is none who does not know of this fact. Therefore, we need not worry when it is reported in newspapers that the attitude of this or that nation toward Japan has hardened, or that some countries might scheme to prolong the China Incident, or that some others have made a joint protest or threatened with economic boycotts and military demonstrations. We should regard such as opportunities for expanding Japan's national strength, and the only thing for us to do is to meet the challenge without hesitation.

## THE SHIUN-SO

December, 1938.

No. 22, 2-chome, Uchisaiwai-cho,  
Kojimachi-ku, Tokyo, JAPAN.

(This statement was published in six  
leading vernacular newspapers in Japan.)

# JAPAN'S WO

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hold" which has been its national principle since the founding of the Empire, means nothing but the wish to bring about an age of co-existence of all nations and co-prosperity of human beings, and to center all policies towards others in this ideal.

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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

# RLD POLICY

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Therefore for this end, the policy of Japan in regard to the present China Incident must be free as far as possible of narrow-mindedness, quick temper, stinginess, self-glorification, monopoly, avarice, exclusivism, and tyranny; and must contain broad-mindedness, amity, cooperation, conciliation, mutual prosperity, brotherhood of the world, and equality. As Japan gives such consideration on her policy, the light of the new age of co-existence of all nations and co-prosperity of humanity will rise in the Orient.

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## THE SHIUN-SO

December, 1938.

No. 22, 2-chome, Uchisaiwai-cho,  
 Kojimachi-ku, Tokyo, JAPAN.

(This statement was published in six  
 leading vernacular newspapers in Japan.)

0338

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

DEPARTMENT OF STATE  
DIVISION OF FAR EASTERN AFFAIRS

January 16, 1939

~~DET:~~ ~~LES:~~ ~~DOM:~~ ~~MAN:~~  
~~LEV:~~ ~~WKA:~~ ~~JWB:~~ ~~PAH~~

Peiping's despatch No. 1813 of December 6, 1938, reports private statements of a Soviet Embassy official to the effect that the Japanese blunder by underestimating Chinese patriotism; that united Chinese resistance will continue; that lack of British support to China and China's own failure energetically to develop the resources of its western hinterland affect Chinese ~~prospects~~ seriously; that Japan's economic strength has not been increased by her control of China's main coal and iron producing regions, as lack of capital, railways and Chinese cooperation prevent her exploiting them; that "Shansi Province is of the utmost importance for China, for China can never become a powerful nation without the coal and iron resources of that province".

This emphasis on Shansi is regarded as significant by the Embassy, which points to the interest in the northwest already evidenced by Russian military strategy, active Shansi guerrilla operations directed from Shensi, Chinese construction of communications (highways to Sinkiang and reported extension of Lunghai Railway to Kansu), and an expected Japanese drive into Shensi.

Page 4 of the enclosure provides some data concerning Japanese attempts to develop coal mines which might be of interest to JMW in connection with his study of Chinese mineral resources.

FE:Chase:REK

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. 1813

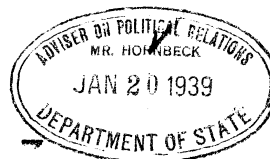
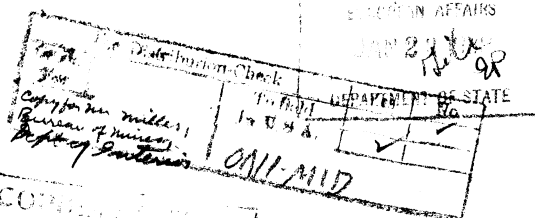
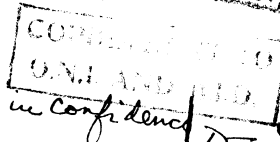
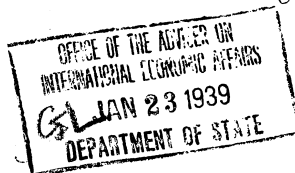
Peiping, December 6, 1938.

Subject: Present Political Situation in China.

CONFIDENTIAL.

RECEIVED  
DEPARTMENT OF STATE

JAN 23 1939



The Honorable

The Secretary of State,  
Washington, D. C.

Sir:

1/ I have the honor to enclose, as of possible interest to the Department, a copy of a memorandum reporting a conversation between an officer of this Embassy and Mr. Spilwanek, Counselor of the Soviet Embassy at Peiping, in regard to the present political situation in China, under date November 18, 1938.

It will be observed that the Soviet Counselor held that the Japanese had over-estimated their knowledge of the Chinese and the Chinese political organization and

had

F/FG

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

- 2 -

had consequently blundered in their policies. He believed that the resistance of the Chinese would continue, but was prepared to recognize current difficulties faced by the Chinese by reason of 1) the probability that Wu P'ei-fu will come out as head of a new governmental organization in China, 2) China's failure energetically to develop the resources of its western hinterland, and 3) Great Britain's present policy (failure to support the National Government).

Mr. Spilwanek did not feel that the control by the Japanese armed forces of China's main coal- and iron-producing regions as yet represented any substantial increment to Japan's economic strength, because of Japanese inability to exploit those resources on a substantial scale. Fairly reliable reports reach the Embassy to the effect that the Chinese guerrillas will do their utmost to prevent the exploitation of North China's raw material resources - as would be quite logical. The weight that the guerrillas will be able eventually to throw into the military scale still remains somewhat conjectural, but it may be surmised that guerrilla tactics will prove more effective in mountainous Shansi Province, for instance, than in Hopei and Shantung. Even without interference from the guerrillas, however, Japan admittedly will face grave economic difficulties in its effort to finance the "reconstruction of China".

It is believed that the Soviet Counselor's emphasis in regard to the significance of Shansi for China's defense is of some importance. The Japanese Vice-Minister for War, Lieutenant General Hideki Tojo, addressing leaders

in

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 -

in the heavy industries and munitions industries of  
 Japan on November 28 stated that:

'The Soviet Union, while strengthening her armaments and perfecting her heavy industries and transport facilities in the Far East, is ... plotting to cause the China Incident to continue for a long term so as to compel Japan to waste her national strength and thereby to bring about a most advantageous situation in the event of war with Japan.'\*

The importance of Northwest China as concerns the matter of Russian military strategy has for some time been obvious, and it is known that in fact the Chinese guerrillas based in Shensi are actively operating in Shansi and that the National Government has pressed forward with the construction of highways connecting Northwest China with Sinkiang (and so with the Soviet Union) in order to facilitate obtaining needed military supplies. A current TRANSOCEAN report from Shanghai states that the Chinese are now engaged in the extension of the Lunghai Railway line from Paoki (west Shensi) to Lanchow (Kansu) with the idea of continuing the line via Tihua (Urumchi) to Tashkent (Uzbek S.S.R.).\*\* It is at the same time reported that the present Japanese military strategy, following upon the capture of Hankow, envisages simultaneous thrusts into Kwangsi, west Hunan and into Shensi.\*\*\*The drive into Shensi would bring the Japanese army into much more direct conflict with Russian support to the National Government of China than has heretofore been the case, and would probably produce

\*MANCHURIA DAILY NEWS, December 1, 1938.  
 \*\*JOURNAL DE PEKIN, December 3, 1938.  
 \*\*\*PEKING & TIENTSIN TIMES, November 30, 1938.

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

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produce interesting developments.

Respectfully yours,

For the Ambassador:

Frank P. Lockhart  
Frank P. Lockhart  
Counselor of Embassy

3AC-1

Enclosure: ✓

- 1/ - Memorandum of Conversation  
as stated.

Original and 3 copies to Department.  
Copy to Embassy, Chungking.  
Copy to Embassy, Tokyo.  
Copy to Embassy, Moscow (via Department)

EC/es  
800

134

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. 1813

Peiping, November 18, 1938.

MEMORANDUM OF CONVERSATION

CONFIDENTIAL

Subject: Political Situation in China.

Present: Mr. I. Spilwanek (Counselor, Soviet Embassy).  
Mr. Clubb.

Mr. Spilwanek, with reference to the rumors of peace negotiations which were current subsequent to the fall of Hankow, said that all the reliable information which he was able to obtain indicated that the Chinese would continue resistance; even those elements which might be termed "defeatist" - and Tang Ching-wei had in the past showed such tendencies - were in no position to act against the concept of the united front, and despite the existence of occasional friction among the different elements of the Government it would appear that there would be no split. The Japanese, he believed, still over-estimated their knowledge of the Chinese race and of the Chinese political strength, and were led to make political blunders as a result. History was rich in examples which would prove that the Chinese people cannot be ruled by the Japanese, and of these examples Mr. Spilwanek cited those of the American and Russian revolutionary periods.

Mr. Clubb observed that the question would seem to depend to an important extent upon whether the Chinese could achieve the development of a national spirit. Mr. Spilwanek said that they had already done so, "except of course here in the North", but that the Japanese were proceeding with their program as if the situation had not changed since the pre-(1914) War period. The Japanese

political

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

- 2 -

political and military lines were now so extended that they must enlist the help of the Chinese for success, and thus it is that they are endeavoring to set up in China a political system by manipulation of which they can force the Chinese to fight the Chinese. The puppet Provisional Government set up by Kita and Terauchi, with Wang K'ie-min at its head, was founded on the premise that Wang would be able to entice from the National Government new adherents, men with names of national import, into the Japanese-controlled organization. One could not criticize Wang K'ie-min for failing to do his best: he had maintained his contacts with leaders in the National Government and done what he could to win them over, but without success. The brutal murder of T'ang Shao-yi evidently occurred when T'ang indicated that under certain conditions he might be prepared to go over to the Japanese side. The failure of the Provisional Government in the last analysis, however, to win over any important converts to the Japanese cause even after the fall of Nanking and Hankow, marked the defeat of the Kita-Terauchi concept, and so it is that Doihara has been given his chance. Doihara's concept is marked by a greater degree of daring, and the present reports of Hu P'ei-fu's defection from the Chinese ranks have a more substantial appearance than previous rumors: it may be true that General Hu is willing to head a new central Government.

Mr. Clubb asked whether the establishment of a new political authority in China with Hu P'ei-fu at its head would not in the long run, if the National Government military forces withdrew in main part west of the Peiping-Canton

134<sup>E</sup>

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

- 3 -

Canton railway line and did no more than continue their military action along the same lines as those dictated by their previous "defensive" strategy, result in the National Government's "withering away" in the undeveloped hinterland of China. Mr. Spilwanek said that, after a year of war, the Chinese should of course have been able to develop the western part of China along substantial lines. They had been able to remove the major part of their machinery not only from Hankow, but even from Tsingtao, before occupation by the Japanese. It seemed nevertheless that it is a national characteristic of the Chinese always to be "too slow", and it is true that their economic accomplishments in the western provinces fall short of what should properly been done. There are economic resources which can be exploited in those provinces, however, and the Chinese can develop those resources if they will. The British policy in the Far East, and even at Hankow, must be described as "very bad", and if the British and French prohibit shipment of goods to China via their territories it will be a direct blow to the National Government.

It was observed by Mr. Clubb that the resources of west China, in terms of iron-ore and coal in particular, are far inferior to those found in the areas occupied by the Japanese in North China. Mr. Spilwanek admitted that this was true, but remarked that, although the Japanese had taken over control as "spoils of war" all purely Chinese mining properties in the occupied areas, they had to date

not

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

- 4 -

not been able to exploit those resources. The case of the Tat'ung coal mines was one in point. An important official (whose name Mr. Spilwanek had forgot) of the South Manchuria Railway made a careful investigation of the possibilities of development of the Tat'ung mines last fall, and reported that it would require an investment of Y\$150,000,000 to put the mines in proper running order. It must be noted, moreover, that the Ping-Sui Railway can transport only about 3,000,000 tons of freight a year - and not even half of that can be coal;\* the building of the projected railways to shorten the haul to the coast, however, would again require the investment of substantial funds. Available information would nevertheless indicate that the Japanese financiers were extremely loath to make important new investments in North China, and in fact the only organization thus far operating for the purpose of exploiting China's resources is the Hsing Chung Kung Szu (China Development Company), capitalized at Y\$10,000,000 but actually working on a capital investment of Y\$6,000,000. Japan's plans are logical and "daring", but it lacks the resources at present to implement them.

Shansi Province is of the utmost importance for China,

for

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\*Mr. Nikitin, Russian Consul at Kalgan, states that the Japanese have recently been forced to revise downward their plan to transport 60,000 tons of Tat'ung coal monthly to the coast; but that their plans for 1939 envisages transportation of 100,000 tons monthly.

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

- 5 -

for China can never become a powerful nation without the coal and iron resources of that province. The Hsing Chung Kung Szu has appropriated for Japan all the coal and iron mines captured, and it is not in the nature of the Japanese bourgeoisie to share with others such commercial advantage as it may be able to gain. But it would appear that Japan has grasped more than it can digest, and for that reason it desires to obtain the help of Chinese in the task of conquering China.

O. Edmund Clubb  
Second Secretary of Embassy

EC/es



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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

AMERICAN EMBASSY

No. 3551

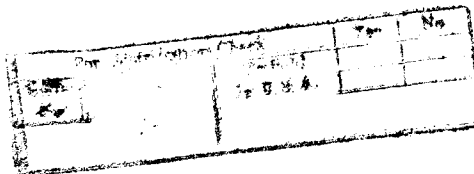
Tokyo, December 23, 1938

SUBJECT: NEW JAPANESE POLICY IN RELATION TO CHINA:  
IMPERIAL CONFERENCE.

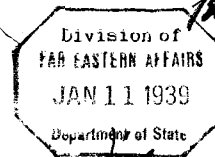
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DEPARTMENT OF STATE

1939 JAN 9 PM 2 56

DIVISION OF  
CONFIDENTIALS



CONFIDENTIAL



The Honorable

The Secretary of State

Washington

Sir:

With reference to the Embassy's telegram no. 757, November 30, 3 p.m., concerning the Imperial Conference on November 30, I have the honor to enclose

1/ a copy of a letter from my British colleague dated December 1, 1938, with a copy of a telegram he sent to his Foreign Office concerning the significance of the Imperial Conference, together with a copy of my

2/ letter of December 2, 1938, in acknowledgment thereof.

Respectfully yours,

Joseph C. Grew

Enclosures:

1, 2 as stated

710

ESC:mg

Copy to Embassy, Chungking

Copy to Consulate General, Shanghai

H 7P

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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

Enclosure No. 1 to despatch  
No. 3551 of December 23, 1938  
from the Embassy at Tokyo.

The British Ambassador, Sir Robert L. Craigie to  
the American Ambassador, Mr. Grew.

Confidential

British Embassy,

Tokyo.

1st December, 1938.

My dear Grew,

I enclose, in case it may be of  
interest to you, a copy of a telegram I have  
today addressed to the Foreign Office.

Believe me,

Yours very sincerely,

(Sgd.) R. L. CRAIGIE.

His Excellency

The Honourable Joseph Clark Grew,

Ambassador Extraordinary & Plenipotentiary,

for the United States of America,

at Tokyo.

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

I consider it possible that yesterday's Imperial Conference portends the constitution of a new Central Government for China and its recognition by Japan. Germany and Italy would presumably by recognising such a government obtain certain trade advantages. These advantages would be held up to us as an inducement to accord similar recognition.

I also think it likely that there may soon be an announcement of terms on which peace can be concluded.

135  
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quate NARS, Date 12-18-75

Enclosure no. 2 to despatch  
no. 3551 of December 23, 1938,  
from the Embassy at Tokyo.

The American Ambassador, Mr. Grew, to the British  
Ambassador, Sir Robert L. Craigie.

EMBASSY OF THE  
UNITED STATES OF AMERICA

Tokyo, December 2, 1938

My dear Craigie:

I appreciate very much your confidential  
letter of December 1, sending me a copy of a  
telegram which you had addressed to the Foreign  
Office with regard to the recent Imperial Con-  
ference. I am unfortunately still feeling  
rather under the weather but hope to be able  
to discuss this and other matters with you  
early next week.

Believe me,

Yours very sincerely,

JOSEPH C. GREW

His Excellency  
The Right Honorable Sir Robert Craigie, K.C.M.G., C.B.,  
His Britannic Majesty's Ambassador  
Extraordinary and Plenipotentiary,

Tokyo, Japan.

135

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

January 11, 1939.

~~JWB:~~  
~~MMH:~~



PA/H:  
Mr. Hornbeck.

Tokyo's despatch No. 3557 of December 23, 1938, entitled "Statement of Japanese Government concerning Japan's New Policy in China", encloses a copy of a telegram of December 9, addressed by the British Foreign Office to the British Ambassador at Tokyo, which contains a statement, made by the Under Secretary during a debate in the House of Lords, in regard to the British Government's attitude toward Japanese policy in China. It is suggested that the enclosure (two pages) be read.

fE:Salisbury:REK

135

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



THE FOREIGN SERVICE  
OF THE  
UNITED STATES OF AMERICA

AMERICAN EMBASSY

No. 3557

Tokyo, December 23, 1938

SUBJECT: STATEMENT OF JAPANESE GOVERNMENT CONCERNING  
JAPAN'S NEW POLICY IN CHINA.

RECEIVED  
DEPARTMENT OF STATE

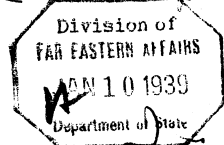
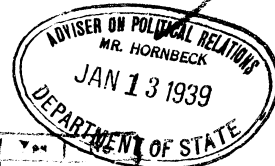
1939 JAN 9 PM 2 42

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

Grade	For	Initial	Initial	Initial

ONE MID

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



The Honorable  
The Secretary of State  
Washington

Sir:

With reference to the Embassy's telegrams no. 703-94/14286, 703, November 4, 10 a.m., and no. 704, November 4, 2 p.m., concerning the Japanese Government's statement and the Prime Minister's speech relating to Japan's new policy in China, I have the honor to transmit herewith a copy of a telegram from the British Foreign Office to my British colleague referring to this subject. The telegram was dated December 9, 1938.

Respectfully yours,

*Joseph C. Grew*

Joseph C. Grew

Enclosure:  
as stated  
710  
ESC:mg

Copy to Embassy, Chungking  
Copy to Embassy, Peiping

793.94/14584

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

Enclosure no. 1 to despatch  
 no. 3557 of December 23, 1938,  
 from the Embassy at Tokyo.

(With the compliments of the British Embassy to the  
 American Ambassador, Mr. Grew, December 14, 1938)

Copy of Telegram from the Foreign Office  
 despatched 9th December 1938.

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During the debate in the house of Lords on the 6th December, Under Secretary, after dealing with a number of specific complaints, said pronouncements have recently been made in Tokyo regarding the formation of an economic and political bloc which was to comprise Japan Manchukuo and China and in which of course Japan was to be the predominant partner. I wish to say quite categorically that His Majesty's Government cannot possibly subscribe to this attitude. The position of Great Britain in this matter is governed by the Washington treaties and by other international agreements to which His Majesty's Government in conjunction with a large number of other governments are parties. His Majesty's Government could not consider any alteration of the position, as defined by the treaties, which had been brought about by unilateral action. In this matter our stand is the same as that of the United States Government. The formation of a bloc of a political and economic character, as the Japanese Government must realize, would inevitably have incalculable repercussions in other parts of the world, with consequences

to

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 -

to which I think it would be impossible to set a limit. Therefore we trust that they will agree with His Majesty's Government that the interests of both countries lie in other directions than that one. I fully admit that the present position is an unsatisfactory one. I can assure your Lordships that the question of what steps can be taken to protect British interests is under the constant review of His Majesty's Government, who are prepared to consider all possible measures to safeguard them. A number of proposals are now under examination for assistance to China in connexion with export credits and His Majesty's Government will certainly examine with sympathy these and any similar requests which may be made to them by the Chinese Government. (After a reference to consultation with other powers.) While His Majesty's Government continue to treat the protection of British interests in China as one of the cardinal points of their policy in the Far East they consider that this end can best be achieved by an early and equitable settlement of the Sino-Japanese conflict. With a view to securing a settlement which would be fair and just to both sides and take all proper account of the interests of third parties His Majesty's Government have indicated to the Chinese and Japanese Governments that they are ready at all times to use their good offices and will not hesitate to take all necessary steps as soon as the moment appears to be opportune. I must however admit that there are no present indications that that moment is close at hand.



1356  
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Quisenberry NARS, Date 12-18-75

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

~~WFP JCV DES~~ January 12, 1939.

Tsinan's despatch No. 10 of December 8, 1939, reports deplorable conditions in Ichowfu. Since its destruction and plundering by soldiery it has remained a ruined and deserted city, with only 400 of its previous 60,000 inhabitants. Guerrillas are active in the proximity, but a Japanese garrison of not more than 300 has managed to hold the city, and extension of the puppet government's influence is believed but a matter of time.

FE:Chase:JPS

0357

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. 10

AMERICAN CONSULATE,  
 Tsinan, China, December 8, 1938.

SUBJECT: CONDITIONS IN ICHOWFU (LINI),  
 SHANTUNG.

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

For Distribution Check		Yes	No
NAME	For	To	In U.S.A.
M	Hawthorne	ONL. 412	

The Honorable

Nelson Trusler Johnson,  
 American Ambassador,  
 Peiping, China.

Division of  
 FAR EASTERN AFFAIRS  
 JAN 10 1939  
 Department of State

RECEIVED  
 DEPARTMENT OF STATE

JAN 9 1939  
 DIVISION OF  
 RECORDS

I have the honor to quote the following letter  
 which was addressed to the Director of Posts at Tsinan  
 on November 15, 1938, by a foreign resident of Ichowfu  
 (沂州府), also known as Lini (临沂), in southern  
 Shantung, concerning the deplorable conditions in that  
 city:

ASSISTANT SECRETARY  
 OF STATE  
 JAN 10 1939

"On behalf of Mr. Ch'iao, the Postmaster of  
 Ichowfu (Lini), I am writing you a brief word re-  
 garding the conditions in the city during the past  
 months and at the present time. Words however  
 will fail to describe the havoc and devastation  
 within the walls of this once flourishing old town.  
 For months we have been describing conditions here  
 to the members of our own station who had not yet  
 shared the war horrors and then, upon their arrival,  
 took them into the city to see for themselves, and  
 each has said that they could not picture the utter  
 destruction and desertion of the city and suburbs.  
 Apart from the army in the central "Yamen" and school  
 building, the only other signs of life have been their  
 house of ill fame and the Roman Catholic compounds on  
 the big street that runs east and west, and a couple  
 men or more in the bath house on the main street  
 leading north from the only gate being used, the  
 South City gate. More recently, there has been  
 established a restaurant, a medical clinic, etc in  
 the small enclosed portion within the outer but not

within

793.94/14335

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

- 2 -

within the city proper; and most recently a few old couples of the very poorest have been allowed to live inside; others dare not. The city proper has been - and still is - a mass of burned and deserted shops and homes in an indescribable state of disorder: everything of value already looted by the soldiery, and what left wantonly overturned and destroyed in the search for plunder; and streets and courtyards grown higher than a man's head with rank weeds and grasses. This condition the new authorities are beginning to improve, but two attempts to form an effective governing body as the "Wei Ch'ih Hwai" were absolutely abortive and the present body of puppets may skip the country too if they get half a chance. However the soldiery are arriving in ever increasing numbers and taking more seriously the task of consolidation and control.

"Last July I got postmaster Ch'iao through the gates and we were able to go to the postoffice. His quarters had been broken into and looted and the office rooms were in a frightful mess, - the safe rifled, drawers, cupboards, and racks overturned and the contents on the floor or out in the courtyard. Scales and standards broken or lost; and documents and records defaced or soaked with rainwater beyond recognition; the floor bricks and clay torn up and dug out in the search for buried money or valuables; his home most of all. That was on the 5th of July, and twice since we have been in and salvaged what we were allowed to take but not without being cursed and insulted.

"As to the advisability of immediate reopening of the postoffice within the city, although the postmaster has been approached with intent to have him do so, I thoroughly agree with him that the time has not yet come for doing so: once there were about sixty thousand inhabitants; now there are no more than four hundred, no business houses or commerce or enterprise, - the whole population is gone to the country - scattered. To take up quarters within the city would not serve the people for they are outside."

It will be observed that the city's population has been reduced from some 60,000 inhabitants to a mere 400. It is understood that there are large guerrilla bands in that region, including, no doubt, most of the former male residents of Ichowfu, but the fact remains that that city is being held by a small Japanese garrison numbering no more than 300. While some difficulties appear to have

been

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

- 3 -

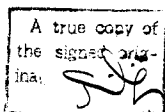
been encountered in establishing a pro-Japanese governing body (or Peace Maintenance Commission 維持會) at Ichow-fu, foreign observers on the spot are convinced that the Japanese are there to stay, and that, notwithstanding the guerrillas, the extension of the Peiping defacto Government's influence to embrace the surrounding country side is but a matter of time.

Respectfully yours,

Carl O. Hawthorne,  
American Vice Consul.

Original to Embassy, Peiping,  
5 copies to Department,  
Copy to Embassy, Chungking,  
Copy to Consulate, Tsingtao.

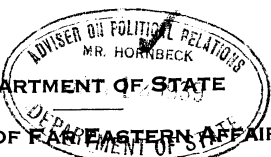
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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

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JWB  
LWB  
DEPARTMENT OF STATE  
DIVISION OF EASTERN AFFAIRS  
PA/H  
Mr. Hornbeck  
January 11, 1939.

Tokyo's despatch No. 3533 of December 23, 1938, entitled "November 30 Conference in the Emperor's Presence and Plans for Establishing of a Government for the Occupied Areas", reports that evidently in the latter part of November, after a series of conferences of high government officials in Tokyo, including a conference in the presence of the Emperor, "a fundamental policy for regulating Sino-Japanese relations" was arrived at; that announcement of the policy was apparently to be made simultaneously with the setting up of a new regime for the occupied areas in China; that announcement of the policy was delayed, evidently because Wu Pei-fu disappointed Japanese anticipation by refusing to head the new regime; that finally Prince Konoye announced the policy on December 22, the possibility of simultaneously announcing establishment of a new regime having by that time been abandoned; and that it would seem that the setting up of a single government in the occupied areas is not now imminently expected.

743.94/14586

I suggest that the despatch (of four pages) be read in full.

FE:Salisbury:REK

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



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THE FOREIGN SERVICE  
DEPARTMENT OF THE  
UNITED STATES OF AMERICA  
1939 JAN 9 PM 2 41  
MID ONI

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No. 3533.

DIVISION OF  
COMMUNICATIONS

AMERICAN EMBASSY  
Tokyo, December 23, 1938.

SUBJECT: NOVEMBER 30 CONFERENCE IN THE EMPEROR'S PRESENCE  
AND PLANS FOR ESTABLISHING OF A GOVERNMENT FOR  
THE OCCUPIED AREAS.

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

493.94

ADVISOR ON POLITICAL RELATIONS  
MR. HORRBECK  
JAN 12 1939  
DEPARTMENT OF STATE

DIVISION OF  
FAR EASTERN AFFAIRS  
JAN 10 1939  
Department of State  
file

The Honorable  
The Secretary of State,  
Washington.

Sir:

Toward the end of November 1938 there was much talk in Japan, in the press and elsewhere, of the formulation of a fundamental policy toward China. Various leaders and various governmental bodies were reported to have the problem under consideration, though only the most generalized statements with regard to what was going on were obtainable. On the evening of November 28 the Cabinet gave out a statement (Embassy's telegram 755, November 29, 5 p.m.) to the effect that "The Cabinet this afternoon decided on a fundamental policy for regulating Sino-Japanese relations.

in

JAN 10 1939

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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 connection with the construction of a new order in eastern Asia which the five-minister conference has been considering." On November 30, amid measures of secrecy which deceived even responsible highly placed officials (Embassy's telegrams 756, November 30, noon, and 757, November 30, 3 pm), a conference in the presence of the Emperor was held. These are rare occurrences and take place only for decisions of the first importance (despatch 2746, January 22, 1938).

Still no public explanation was made, although there were several announcements portending an important statement in the near future. During the "interest build-up", which continued for several days, it was noteworthy that on December 1 the JAPAN TIMES ran a special story about Wu Pei-fu in which the statement was made that "Some observers predict that he may consent to become 'President of the Federal Republic of China' in the areas now under Japanese occupation." Other papers carried similar articles. A few days later it was given out to the press that the Premier would make a declaration of major importance in a speech at Osaka on December 11 which would be broadcast widely. When that date arrived a press release said that the Premier would not be able to make the trip because of ill health; and on December 12 the press was officially informed that the declaration had been indefinitely postponed.

Meantime information from various sources was leading the Embassy to believe that the conference in the presence of the Emperor as well as the other discussions within  
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 government conducted in such secrecy had had to do at least in part with efforts to establish in China a new regime, nominally led by Chinese, for the governing of the occupied areas. This belief was in considerable part borne out and confirmed by statements made to the Counselor of the Embassy by the Vice Minister for Foreign Affairs on December 13 (Embassy's telegram 783, December 14, 5 p.m.). The Vice Minister stated confidentially and off the record that the Foreign Office believes that the refusal of Wu Pei-fu to become head of the new government which had been proposed is in reality a blessing for Japan. He gave it as the opinion of the Foreign Office that a federated form of government is the most promising form of government for China, not a regime made over from the union of the Nanking and Peking groups. The Vice Minister further gave an intimation of the system of government envisaged for China by the Foreign Office when he referred to the possibility of establishment of a central committee the members of which would represent a large number of local governments additional to those already set up, a chairman being elected from among the members of the committee.

On the evening of December 22 the Premier gave out an important statement embodying the conditions which Japan asserts that she demands of China (despatch 3535, December 23, 1938, enclosure 3). The press was given to understand at the time of the release that the conditions had been approved by the November 30 conference in the presence of the Emperor.

It



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It seems probable that when the November 30 conference made its decisions of basic policy toward China it also approved the recognition of a government of China for the occupied areas, probably to be headed by Wu Pei-fu. Obviously the recognition of an established regime at the same time as the announcement of basic policy as conditions governing the relations of Japan with the newly established regime would have offered to the Japanese public and to the foreign world a dramatic development, and there seems little doubt that, had Wu Pei-fu been cooperative, such would have been the result. Wu Pei-fu's refusal then apparently caused postponement of announcement even of the basic conditions approved by the November 30 conference, in the hope that some new solution for setting up a government of China might be found. By December 22 it was nevertheless found advisable to announce the basic conditions without taking simultaneous action in recognition of a regime.

Piecing together the fragments of information which have come to the Embassy's attention in explanation of this sequence of happenings, the Embassy inclines to the view that General Doihara was sponsor of a plan for installing Wu Pei-fu as head of a single government for the occupied areas of China; that General Kita was sponsor of a plan for installing Wang Keh-min as head of such government; that General Doihara was able to win the support of the Japanese Government to his plan; that the plan miscarried on account of Wu Pei-fu's refusal to cooperate; that the

establishing

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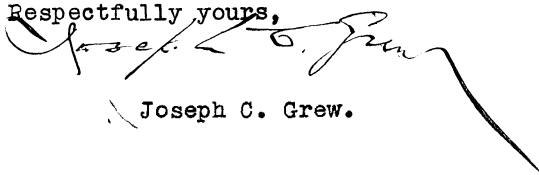
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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

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establishing of a single regime for the governing of the occupied areas has had to be deferred and is now not being actively pressed; and that the present prospect is for a loosely federated form of government, without a dominating individual Chinese leader. A fair assumption is that, as Japanese pressure for the immediate setting up of a government has apparently relaxed, the December 22 announcement of basic conditions, separately from any act of recognizing of a regime, is further indication that the setting up of a single government is not imminently expected.

Respectfully yours,



Joseph C. Grew.

800.

CC:r

Copy to Embassy, Chungking.

Copy to Embassy, Peiping.

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

### TELEGRAM RECEIVED

EDA

This telegram must be  
closely paraphrased  
before being communi-  
cated to anyone (BR)

TSINGTAO VIA N.R.

FROM Dated January 10, 1939

Received 8 a.m.

Secretary of State

Washington

5, January 10, 3 p.m.

*paraphrase*  
COPIES SENT TO  
O.N.I. AND M.I.D.  
*in confidence* DT

Division of  
FAR EASTERN AFFAIRS  
JAN 10 1939  
Department of State

Mr. K. Nakamura, former member of Japanese Parliament  
and President of Oriental Culture Association who traveled  
in the United States last year on lecture tour, called  
at the Consulate this morning.

Among other things he apparently was particularly  
interested in ascertaining whether foreigners had any  
reports regarding alleged difficulties between Japanese  
army and naval forces in Tsingtao and in North China.

He also indicated that stories were current in North  
China that Japanese military officers were profiting  
from irregular practices in connection with movement of  
cargo, trade restrictions et cetera.

He indicated that one of the sources of trouble at  
this time was the treatment by foreign correspondents  
of the Sino-Japanese hostilities; these correspondents  
made it appear that Japan was constantly suffering mili-  
tary reverses; such stories were blows to Japanese  
military and naval pride and accounted for their hostility  
to foreign interests.

SOKOBIN

BR:WWC

793.94/14587

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

Confidential

CONFIDENTIAL

PARAPHRASE

A telegram (No. 5) of January 10, 1939, from the American Consul at Tsingtao reads substantially as follows:

On the morning of January 10 the Consulate received a call from Mr. K. Nakamura, who made a lecture tour in the United States in 1938 and who is President of Oriental Culture Association and was formerly a member of the Japanese Dist.

Mr. Nakamura indicated that treatment of the conflict in China by foreign newspaper correspondents was one of the reasons for trouble at this time. These correspondents gave the impression that the Japanese forces were continually having military reverses and stories of this kind which hurt the pride of the Japanese army and navy were responsible for their enmity toward foreign interests. Mr. Nakamura indicated also that in North China there were stories to the effect that Japanese military officers were gaining advantage from practices of an improper character connected with trade restrictions, the movement of cargo and the like. He appeared to be interested especially, among other things, in finding out whether any reports relating to alleged trouble in North China and Tsingtao between Japanese naval and military forces had reached foreigners.

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

*Copy sent to  
Treasury*

**TELEGRAM RECEIVED**

JR

GRAY

FROM

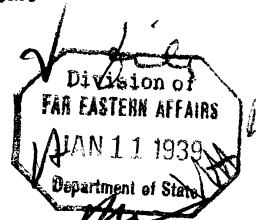
Peiping via N. R.

Dated January 11, 1939

Rec'd 7 a.m.

Secretary of State,  
Washington.

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



793.94  
18, January 11, noon.

Embassy's 691, November 23, 5 p.m.

One. The projected Japanese drive from South Shansi into northern Honan and Shensi as preliminary to an attack upon Sian has not yet materialized owing to continued Japanese failure to effect a crossing of the Yellow River from South Shansi. A Japanese campaign in West Shansi conducted during the past three weeks has reportedly been successful in driving Chinese units from various towns which the Japanese had previously occupied and relinquished. According to the local Japanese military spokesman, Japanese troops in West Shansi are now awaiting the freezing of the Yellow River on the Province's western boundary to undertake a crossing and subsequent attack on Yenan Shensi, the "capital" of the Chinese Communist border regime.

Two. Repeated to Chungking, by mail to Tokyo.

LOCKHART

WWC:CSB

793.94/14588

F/FG

JAN 12 1939

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

## CHINA INFORMATION SERVICE

HELEN M. LOOMIS, SECRETARY

945 PENNSYLVANIA AVENUE, NORTHWEST - WASHINGTON, D. C.

ISSUE SEVENTEEN  
January 5, 1939

Division of  
FAR EASTERN AFFAIRS

JAN 11 1939

Department of State

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### Enclosures

Japan's War in China, by Hu Shih, Chinese Ambassador to the  
United States of America (Published by the Chinese Cultural Society,  
New York City) ..

China Fights Civilization's Battle, an appeal for Help to Defeat Ruthless  
Invasion, by Rodney Gilbert (Reprinted from New York Herald-Tribune)

### YOUR ATTENTION PLEASE !

Read the article on H. J. Timperley's book, Japanese Terror in China. Order your  
copy of this book as soon as possible. Organizations and missionaries are asked  
to note special blue slip which is enclosed.

Are you in touch with the American Committee for Non-Participation in Japanese  
Aggression? If not, write to them, 8 West 40th Street, New York City. Order a  
copy of the booklet America's Share in Japan's War Guilt.

Dr. Walter C. Judd, doctor, medical missionary and lecturer is making a name for  
himself as he goes from one part of the country to another lecturing for the cause  
of China. From January 6 to 8 Dr. Judd will be at the American Congress for Peace  
and Democracy in Washington, D. C. He will speak twice, once at the reception on  
Friday afternoon and again at the morning session on Saturday morning. Write to  
the American Committee for Non-Participation in Japanese Aggression if you are  
interested in obtaining this very effective speaker for your locality.

Reports have been received of the increasing activity of the Church Committee for  
China Relief. If this Committee is not yet active in your vicinity, write to the  
New York Office, 105 East 22nd Street.

ADVISORY EDITORS: BRANK FULTON, MINISTER, RAINSFORD HOUSE, ST. GEORGE'S CHURCH, NEW YORK CITY  
FORMERLY YALE-IN-CHINA: MISS REBECCA W. GRIEST, BOARD OF FOUNDERS, GINLING COLLEGE, LANCASTER, PA.,  
FORMERLY GINLING COLLEGE. EMORY LUCCOCK, MINISTER, FIRST PRESBYTERIAN CHURCH, EVANSTON, ILL., FORMERLY  
COMMUNITY CHURCH, SHANGHAI. PROF. GORDON POTEAT, CROZIER THEOLOGICAL SEMINARY, CHESTER, PENNSYLVANIA.  
FORMERLY UNIVERSITY OF SHANGHAI. CHINA CORRESPONDENTS GEORGE FITCH, SEC-Y, Y.M.C.A., CHENGDU,  
SZECHUAN. DR. FRANK W. PRICE, NANKING THEOLOGICAL SEMINARY, CHENGDU, SZECHUAN

793.94/14589

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FILED

JAN 21 1939

CHINA INFORMATION SERVICE, Issue No. 17, January 5, 1939.

Page 1.

Not for publication.

SPECIAL CORRESPONDENCE FROM THE FAR EAST

Japan in War Time

Frank W. Price

- - - -

Japan is still strong and the Japanese people are united behind their army-government in prosecution of the war against China. This is the dominant impression which I received on passing through the islands and on talking with many Americans and Japanese in the ports. The economic structure shows signs of strain but not yet of cracking. The crowds on the streets are more sober, shops do not attract as many customers as formerly. But all public services are functioning, factories belch forth smoke day and night, farmers till their tiny fields, children march happily to and from school, and the daily life of the people goes on about as usual. Officers and soldiers are being sent off constantly from railway stations and piers, with waving of flags and shouts of "banzai." But the war has not touched Japan with cruel suffering as in China. With a childlike trust in their government and with unshaken faith in their divine destiny the Japanese people are girding themselves for what they now realize will be a long and grim struggle. They seem to have little doubt as to the outcome.

Under the surface, however, are signs of disquiet. The war with China has not aroused such popular enthusiasm as characterized the war against Russia thirty years ago. The national leaders are facing the financial difficulties more seriously as they envisage an extended conflict and Japanese press comments on the economic situation are becoming more frank. A friend gave me many back copies of English newspapers containing translations of press news and editorials and I was able to get the general meaning of some Japanese newspapers which make some use of Chinese characters. These papers were very revealing. The national debt of nearly 16 billion yen (over 4 billion dollars in U. S. currency) is admitted. This means that the Japanese people are already carrying twice as heavy a debt burden in proportion to national income and wage levels as the people of America. The debt is largely in domestic borrowings and is increasing at an alarming rate, about Yen 500,000,000 per month. Meanwhile foreign trade is dropping. For the first nine months of 1938 imports were off 34 per cent and exports 18 per cent compared with the similar period in 1937. If Korea, Manchuria and China are excluded, the foreign trade which helps in international exchange and in purchase of raw materials abroad, shows an extremely unfavorable balance. Silk exports to the United States have declined 20 per cent. One Japanese paper, commenting on the foreign trade situation, said, "The need for shipping goods abroad to get foreign currency to finance importation of munitions, goods and raw materials is getting keener." And another, "The life blood of Japan's economic existence is its foreign trade."

The index of average labor wages is the highest since 1920 because of booming munitions industries. But prices are also rising, the average being 15 per cent over the similar period last year. Foodstuffs have increased the least in cost; metal products, building materials, rubber, industrial chemicals, gasoline and other fuel have shown the sharpest rise. Gasoline is rationed. Private cars in Tokyo are allowed only 23 gallons a month. Missionary friends told me of real hardships which the middle class of the cities and peasants of the villages are beginning to experience because of the war.

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

CHINA INFORMATION SERVICE, Issue No. 17, January 5, 1939.

Page 2.

Not for Publication

How will Japan continue to finance the war? Through her foreign trade and through further demands upon her own people. The Japanese are being prepared for yet greater sacrifices. The campaign on the continent, they are now told, cannot bring quick profit. Governor Yuki of the Bank of Japan said in a recent speech, "Japan cannot expect to harvest the fruits of its long-term construction program in China within a brief period. State expenditures will increase in the near future." Taxes, direct and indirect will be multiplied. When I was in Japan a heated discussion was taking place over the invocation of Article 11 of the National Mobilization Law, empowering the government to control the uses to which all business companies should put their profits, and limiting dividends to stockholders. Business organizations were protesting but it was taken for granted that Army pressure would overcome all resistance. Since a controlled economy and "the placing of the whole nation in all of its ramifications under an organized war system" is considered inevitable, the newspapers were beginning to argue for the law as essential to victory in China. Invocation of all provisions of the drastic Mobilization Law is only a matter of time. The steady trend toward state control of capital is causing serious repercussions on the Stock Exchange in Japan. Dividends hitherto have been higher than in most countries. The military government of Japan is now reaching for the people's savings and threatens to reduce materially all interest on investments. Many observers see a radical change coming in Japan's economic system, in the direction of extreme totalitarianism. Army leaders are telling the people that not profit but "the realization of a new order in Asia" should be the guiding principle of business.

The government exercises strict control of all organs of news and opinion. The press and the radio magnify Japanese military successes. Reports of defection in the Chinese army and of peace overtures are highly exaggerated. A missionary friend said to me, "There has never been a report of a Japanese defeat." The number of Japanese casualties is played down; figures on Chinese losses reach absurd proportions. The government-controlled press and radio stations play the same tunes over and over with little variation, "We are fighting for peace and order in East Asia. We are resisting the eastward rush of communism. We will secure the cooperation of the people of China (not Chiang Kai-shek's regime) in a program of Asia for the Asiatics. Economic expansion is essential to Japan's future. The nation must find an outlet for its rapidly growing population (about a million increase each year). Chinese governments working in Japan (submissive to Japan) will bring a new era of prosperity to both countries and to the world. China must help Japan to resist Russian advance in Asia and to establish the new order in the Far East (on Japan's terms)" In the face of this insistent propaganda no organized, effective opposition can be seen, even in Japanese Christian circles. A few individuals here and there are critical. Some restlessness is evident among laborers and peasants but only 6 per cent of Japan's seven million factory workers are organized in unions. Paternalistic benefits keep most of the workers satisfied. Political parties have practically disappeared as a force in national life. The Army and Navy are supreme; they are essentially the government, and civil officials are their mouthpieces.

Japan's military and economic designs in Asia are now being revealed with startling frankness to the Japanese people. Government officials now declare openly that they plan to set up regimes all over China favorable to Japan and to form a federation of these regimes under Japanese control. One leader declared recently, "The political set-up of new China will be a federal government based



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Page 3.

Not for Publication

on the principle of provincial autonomy and cooperation. We believe this system is the best to meet China's needs and to promote its national welfare. It would be unnatural to establish a unified central government in China. The centralization of power there results in extreme nationalism, which disturbs the peace of East Asia." This will be government for the Chinese people, but certainly not of and by them.

Development companies are being organized rapidly, to carry out economic projects in China, to develop markets and, in their own language, "to exploit the resources of the continent," all with large government subsidies. The Army has won another point in the appointment of a military rather than civil official to direct the administration of these various schemes. After the war there is to be a "long-range reconstruction program" through which Japan expects to recoup her losses. "The country is about to consolidate its gains in China and embark upon a period of prolonged reconstruction." Japan will reconstruct - and bleed - China. And prepare for the next "inevitable war." Already Japan has occupied an area on the continent of Asia larger than France, Germany, Italy and several smaller European nations combined and rules over a population larger than the total population of the United States. "No empire," one observer says truly, "has projected its blueprint upon so vast and sinister a scale."

To other governments and peoples the civil officials who speak for the military in Japan make ingenious explanations of the new continental policy. The controlled press praises Germany and Italy for their understanding of the new situation and denounces the willful ignorance of the other powers. One newspaper naively remarked, "Our reasoning is so obvious and valid that we stand almost speechless before those who cannot see it and cannot agree to its justness. Criticism and opposition have caught the Japanese people unawares." Underneath the pitiful delusions of grandeur one can sense a somewhat bitter feeling of being misunderstood. Criticism of Great Britain and France is more severe than that of the United States, which the Japanese press considers "on the whole neutral and friendly." But while I was in Japan the insistence of the American government on the principles of the Nine Power Treaty guaranteeing China's territorial integrity and independence was arousing resentment. Such press comments were characteristic. "The attitude of the U. S. shows that it has learned nothing from the new situation. The Nine Power Treaty is nothing more than the dregs of the Washington system which has become extinct." "If the U. S. holds to the sacred principle, of the Open Door in China, we are afraid that it will find itself involved in the conflict.. Let us hope that the U. S. will re-examine its attitude." "The American protest ignores the fact that a large-scale war is being fought in East Asia, and does not recognize anything except treaties. This is a one-sided viewpoint. Americans are simple-minded." "It is officially understood that the authorities are in favor, in the case of the Nine-Power Treaty, to permit the agreement to die a natural death and for Japan to adopt a strong stand in the event that any foreign Power, even after that decision, should insist on upholding the provisions of that treaty." On the other hand uneasiness lest American policy might stiffen is reflected, friends in Japan told me, in increased courtesy to Americans living in Japan or passing through the country. But not one in a hundred persons believes that the United States will do anything more serious than make strong protests. And the Japanese army-government has built up the cleverest defense system against protests in the world today. American action in the form of curtailment of trade

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

CHINA INFORMATION SERVICE, Issue No. 17, January 5, 1939.

Page 4.

or economic non-cooperation of some sort would be a rude shock to the government and people. Japan is counting on American capital and raw materials not only for continuance of the war on China but also for the long period of rehabilitation - and exploitation - when her domination of the continent shall be considered a fait accompli.

Strong, united Japan, against China struggling for freedom, for very existence as a nation. It is a clash of apparently irreconcilable forces. "Fighting will continue to the bitter end," the Japanese military dictatorship says, "until the National Government of China is thoroughly chastised. And we must carry out our policy to the whole of Asia." How long will it be before the people of the island empire awaken to the disastrous nature of this policy?

I am convinced that nothing will stop the military leaders of Japan short of three things. Severe military defeat on the mainland, a long war of attrition and indefinite delay in gaining the fruits of victory, or economic breakdown in Japan through forces working from within and without. There is little chance now of the first eventuality. The second means devastation and suffering in China far beyond anything yet experienced.

If the present rulers of Japan suffer a serious economic defeat there may be hope of shortening the war and of securing a just peace in Asia. The present situation is full of the most ominous possibilities not only for Asia, but for the world.

Many Americans in Japan are taking an objective view and are deeply concerned over the trend of events. Some American newspapers and magazines which give the real facts are getting through the censorship and Americans in Japan are much better informed on the situation in China and on trends of world opinion than most of their Japanese friends.

On the China side there are no signs of weakened resistance in spite of military defeats. China stands firm. But these and other facts and impressions must wait for later letters.

Shanghai, November 21, 1938.

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

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Page 5.

Not For Publication

CORRESPONDENCE

With reference to the article JAPAN'S PROGRAM IN AMERICA, written by Marcus Mervine and published in the November 3 issue of the China Information Service, a letter has been received from Mr. John Nevin Sayre, Chairman of the Fellowship Of Reconciliation, reading in part as follows:

"I am sorry to have to call your attention to what I consider very unfair treatment of the Fellowship of Reconciliation in Marcus Mervine's article, "Japan's Programme in America", in your issue of November 3, 1936 of "China Information Service".

"The Fellowship of Reconciliation is listed on page 8 as an organization "Not registered with the Department of State as Japanese propagandists but openly sponsoring literature of organizational activities which parallel the Japanese publicity program."

"Not only are the Fellowship's activity and publicity not parallel with the Japanese program, but they are diametrically opposed to it on very essential points. If you will compare the enclosed statement on the Far Eastern situation adopted by our annual Conference last September, with Mr. Mervine's summary of Japanese propaganda on page 2 you will see how great the difference is.

"You will see that all the way through we are dead against all export of war materials at all times to Japan, as well as to all warring nations. Ever since August 1937 we have called on President Roosevelt to recognize the existence of real war in the Orient and to invoke the Neutrality Act, thus shutting off the export, from America, of munitions and war loans. We have urged Congress to make the Neutrality Act stronger so as to shut off secondary war materials. The Fellowship has called upon its officers and members to go, personally, to American munitions and export firms who are profiting in the war business and urge them to withdraw. We have, at all times, opposed Japan's "appeal to American profit instincts" mentioned by Mr. Mervine as the third main point of Japanese propaganda. In one case a leading Fellowship representative visited a Pacific Coast firm which was exporting scrap iron and emphasized her words of protest by producing a piece of the deadly metal which she had picked up with her own hands on a battlefield in China."

This letter has been referred to the author of the article, who has offered the following explanation:

"I wish to make it clear that I have the deepest respect for the sincerity, integrity and high-minded motives of the Fellowship and its distinguished officers and I intended no implication that they were actually paid by the Japanese. Such a charge would be ridiculous.

"My purpose was to explain that the Fellowship in many respects was following the Japanese line of propaganda in America and obtaining radio time and newspaper space for speeches and articles condemning the boycott of Japanese goods, urging a munitions embargo against China as well as Japan, opposing any government action naming the aggressor and other such policies which the Japanese are spending millions to get over to the American public.

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

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PUBLIC AFFAIRS

By  
Dr. M. S. Bates

This article is written on Armistice Day. To say nothing of the trouble of the rest of the world, in China alone bombs and shells and the remorseless grind of economic ruin are operating actively in a million square miles of territory and are injuring a much wider range. One of the largest societies of the world, which had just completed the most promising decade in its modern life, is broken on the wheel of military imperialism. The evil and the suffering already wrought mount to an obscene grandeur.

Recent weeks have seen the capture of Hankow after a long, severe campaign marked by the lavish use of Japanese air and naval power in support of the army. Although the Chinese effort was in many ways creditable, it was also marked by gross ineptitude at several critical points. Now Nanchang, Changsha, Shansi or even Ichang on the Yangtze, and possibly Sian are the immediate objects of scattering drives by the Japanese forces in Central China. It is presumed that the Chinese will defend central and western Hunan, western Hupeh, and Shensi, with considerable vigor; though at this moment the Japanese are pushing ahead rapidly south and west of Hankow. The sudden fall of Canton not yet explicable. The circumstances certainly show poor staff work, but hardly treason. Naval pressure on the coast continues, and only small trickles of goods or mail can now enter China from the east except in the occupied territories. Air attacks have reached the immense range of Kunming (Yunnanfu), Chengtu, and Lanchow. The number of communities bombed must now be counted well into the thousands.

The Japanese military success is highly impressive, and must not be underrated. Only tentacles of the Chinese railway system remain in the hands of the Chinese Government, and a large fraction of the trunk mileage is in active service for the military and economic benefit of Japan. The transfer of industrial and commercial resources, where such have not been destroyed, is enormous; and in any case only a minor fraction remains in the hands of "Free China". On the other hand, it is plain that the vast areas away from main lines of communication, even close to the main military centers of the occupied territory, are still independent. It can be said that Japan holds most of China, in a qualified sense; or that Chinese officials still rule most of it; or that neither side can make effective use of the country as a whole.

There are some hints of peace talk in foreign circles and among Japanese civilian interests. Japan would of course like to cut the costs as soon as possible, but not to come short of full grasp of the prize. When I suggested to a Japanese friend that his desire for peace could readily become a reality if his country's armies were withdrawn, he replied: "But our generals think the Chinese armies would come right back into these territories." What can be said to such analysis of the problem.

These Japanese leaders seem to feel that their announced terms are really generous and easily to be accepted by right-minded Chinese: (1) abandon all elements of anti-Japanese policy (which seem in fact to mean the giving up of independent life and the full acceptance of Japanese management); (2) cooperate economically with Japan and Manchoukuo (which means turning over resources, tariffs, currency, banking, and communications to Japanese control for the primary reference to Japanese requirements); (3) sign the anti-Comintern Pact (which means putting all foreign relations in Japanese hands, and justifies in advance the use of all Chinese resources against Russia).

It is not possible here to cite the military and journalistic statements which reveal the true temper of domination because they are not carefully modified for foreign consumption. The declarations about garrisons and economic exploitation are sufficient support in words for the process which is everywhere observed in the occupied areas, and for which Manchoukuo is a partial precedent. Under these circumstances it is not surprising that the Chinese leaders and all the articulate public that is free to speak is determined to resist, even if in despair. There is nothing to lose, and always the possibility of securing better terms than abject submission. Chinese morale seems to have stood well enough the first shock of the fall of Canton and Hankow, though the combination of the two, when the former was unexpected, was a severe test. But inevitably the course of military events has flattened the hopes of those in the occupied areas, and must have increasing effect in the west, if it continues on present lines.

The immediate outlook is something as follows: The dispersed Japanese campaigns in the west and southwest resemble the unthinking charges of a bull upon the enemy wherever he may be found. But they can, and presumably will in course of time, base their program upon defense of key cities, railway lines, coast and navigable rivers, confident that the Chinese national interests will not long be able to find the resources material and spiritual to take the offensive against superior equipment in the hands of armies consistently victorious. In its political aspects, the campaign may quickly take a new turn. A major one of the possibilities for which some preparation is apparent, is this: Japan will clothe the feeble, opium-smoking puppets as a Government of China, and dragoon them into signing a peace treaty which will give the forms of law to military conquest and economic domination. It will be possible even to burn with contempt the torn fragments of the Nine-Power Treaty. For Japan counts upon the isolationism of the

United States, combined with American willingness to sell essential supplies ("even to the Devil if he pays cash"); upon British preoccupations, and the seeming weakness of Russia; and upon the outward cordiality of Comrades Mussolini and Hitler.

What of China? An optimistic view, still strongly held in the west present elsewhere, believes that the Chinese campaign is just beginning, and that the far-extended Japanese forces will be increasingly troubled by attacks from all angles in mobile warfare, particularly upon the long lines of communications. A view of lesser optimism counts mainly upon guerilla enterprises and local organizations in the occupied areas, to render the Japanese enterprise unprofitable and impossible of completion, expecting ultimately an economic and spiritual weakening on the Japanese side. A third view, while despairingly recognizing military failure, believes that the puppet regimes will be not merely inefficient, but actually disloyal servants, preserving by devious means a good deal that is Chinese, until a new era dawns in a Russian war or other Japanese crisis. Events thus far are dark.

The long interval from summer has seemed to direct this considerable disquisition entirely to military politics. It should be only the introduction to further writing on economic and spiritual problems, and perhaps upon international connections with the Sino-Japanese conflicts, though the latter seem to be distinctly minor.

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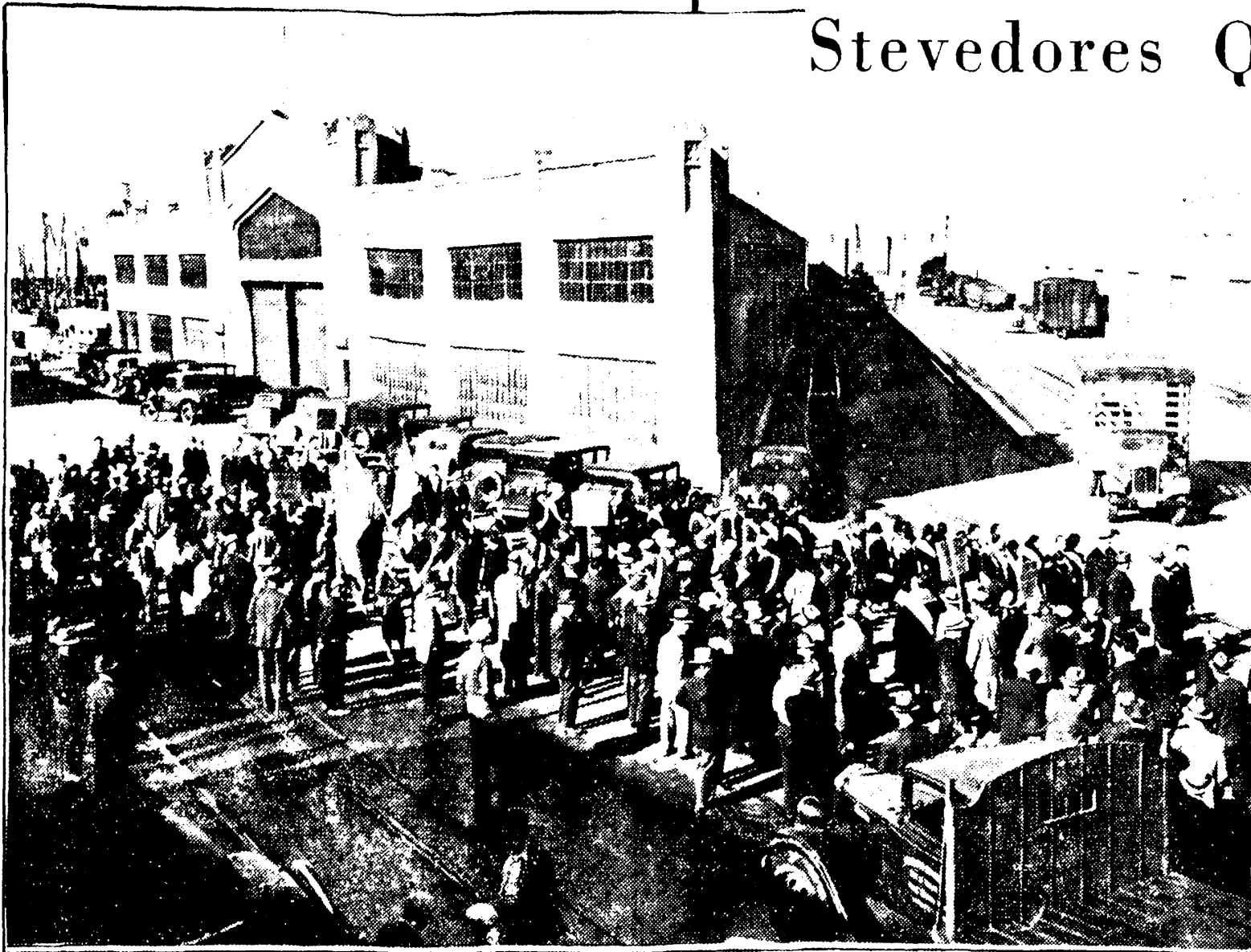
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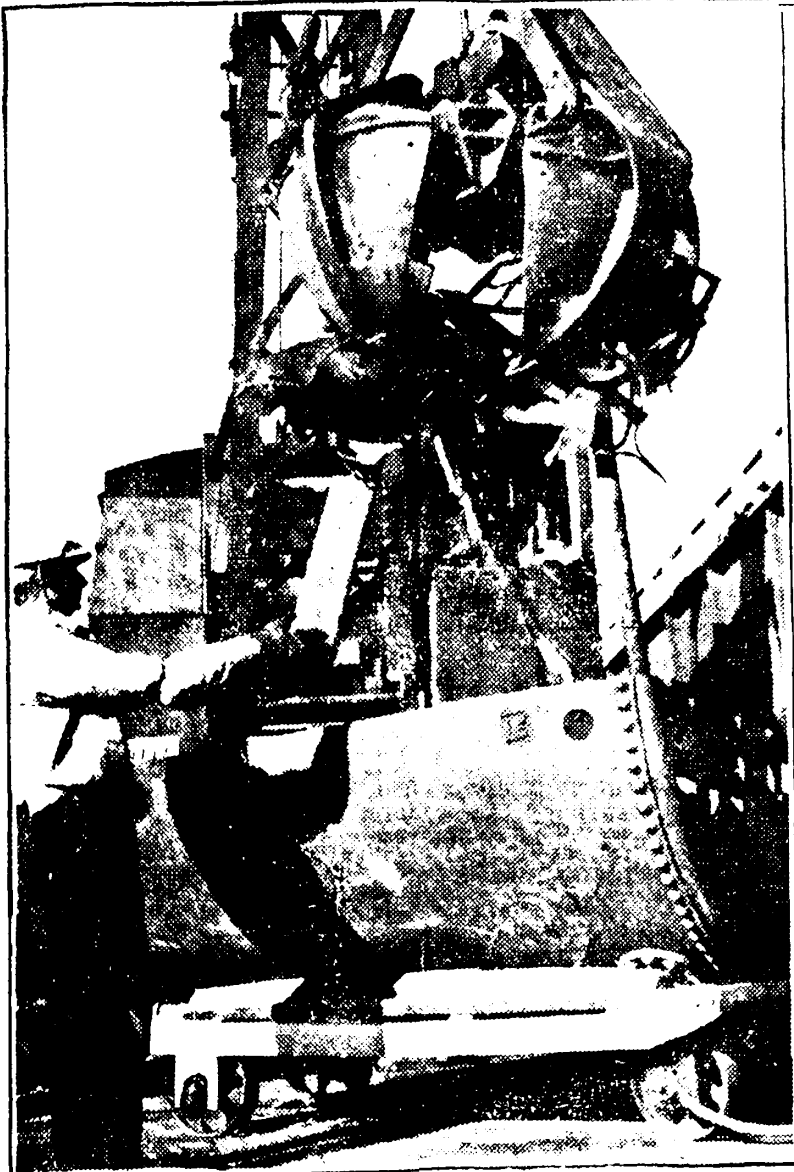
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THE SAN FRANCISCO NEWS—

## Pickets Protest Japanese Iron— Stevedores Quit Ship



Crowd shot shows pickets demonstrating against shipment of scrap iron which they claim is destined for Japan's war machine. Soon after this photo was taken, longshoremen quit the ship. Pickets from the United Committee to Boycott Japanese Goods, the United Chinese Committee and the American League for Peace and Democracy turned out for new demonstrations today. The Spyros was scheduled to sail in a week.



Scrap iron being hoisted for the motorship Spyros, bound for Japan, has caused friends of China to picket in protest at Pier 45. Longshoremen shortly observed their picket line, refused to work the vessel.



NEARLY a thousand San Francisco Chinese and their sympathizers gathered in front of pier 45 yesterday morning for mass picketing against the Greek freighter Spyros, loading scrap iron for Japan.

The picket line was composed of Celestials of all ages, from the youngest to the graybeards, and a number of speakers, including Lieutenant Governor-elect Ellis E. Patterson, addressed the pickets.

Loading of the scrap which is supposedly consigned to Japanese mu-

nition factories, was halted when four gangs of longshoremen refused to pass through the picket line.

Patterson gave a short talk, and said, among other things: "We are here to make sure that industrialists do not make a profit out of the blood of the Chinese."

Picketing of the ship, which has been loading for a week, is scheduled to continue, according to B. S. Fong, chairman of the United Chinese Committee, which sponsored the mass demonstration.

PAGE ONE, PART TWO  
 San Francisco Chronicle  
 DECEMBER 17, 1938

## S. F. Chinese Aid Move for Japan Ban

From Grant avenue and its tributary cubbyholes and alleyways San Francisco Chinese streamed by the hundreds yesterday to march along the Embarcadero and sing the song the Chinese soldiers sing as they march away to war.

They stood in a drizzling rain—old men and women of the East and boys and girls born and reared in the Occident—and cheered announcements that picketing of ships loading scrap iron for Japan would be discontinued in favor of a Nation wide campaign for the declaration of an embargo against the enemy of China.

With the announcements vanished the threat of a Coast wide shipping tieup over refusal of longshoremen to pass the picket lines.

### EMPLOYERS PLEADED

A statement by A. E. Roth, president of the Waterfront Employers' Association, expressed gratification at withdrawal of the pickets and added, "We feel that such delicate matters as relationships with other nations must be left to the Department of State and should not be involved in our labor relations."

He said "in all such cases, the shipowners have insisted that the presence of a picket line on the docks is no excuse for failure to work ships."

A statement from the United Chinese Societies committee for the boycott of Japanese goods said:

"We withdraw our great and growing demonstration on the waterfront . . . for it has served a very great purpose in a peaceful yet very emphatic manner . . . We have received numbers of wires and special messages from nationally known figures, from great organizations, church federations and notable civic groups praising our aims and assuring us continued support."

Our heartfelt thanks go for the valiant actions of the many longshoremen."

### IN APPRECIATION

The great demonstration, novel yet somehow typical of San Francisco, was primarily to thank the longshoremen for their support of the Chinese in their initial attempt to stop shipments.

From piers 45 and 45A, where the Greek motorship Spyros and the British freighter S. S. Beckenham had been tied up, the Chinese marched far down to the foot of Clay street, past the ILWU hall, cheering and singing, and then up to Sansome street past the offices of the Water Front Employers' Association, where boos were sounded.

"Arise, arise—forward to the fire of the enemy—arise, arise," they sang in Chinese—"Use our blood and flesh to build a new great wall. Arise." It was "The Song of the Volunteers."

Then schoolboys and girls shouted "Rah, rah, rah, longshoremen."

### "THANK YOU" BANNER

In the lead was a huge banner saying "Thank you, longshoremen."

Addressing the demonstrators at the pier, Henry Schmidt, ILWU leader, said that while the longshoremen were behind the embargo 100 per cent, the pickets "could stay here day after day and go around in circles, that's all you will be doing."

He said a program had been formulated to get the co-operation of organized labor not only on the Coast, but throughout the country to have the Administration declare an embargo on munitions for Japan. "That's the only way you can do it," he added.

B. S. Fong, "Mayor of Chinatown," speaking in Chinese, declared the picketing had served its purpose of focusing national attention upon the situation, he thanked the longshoremen and announced discontinuance of picketing.

"We are removing the picket lines, but we are not retreating," Fong continued. "Our work is just beginning and we must bring the embargo of war materials to Japan. . . . Let us unite and work together to stop Japanese aggression and promote the welfare of humanity."

## CHINESE RENEW DRIVE ON DOCK

### 1700 Join in Demonstration Against Scrap Iron Ship- ment From Here

Chinatown mobilized for picket duty today, stretching like a vengeful dragon around the Greek freighter Spyros, loading scrap iron for Japan.

It was the second day of picket duty, in protest that "scrap iron means bombs." Yesterday a crowd of Chinese halted loading of the ship at Pier 45. Today the picket line had grown to more than 1700.

Three Chinese members of the crew walked off the freighter, to the cheers of the pickets. The Chinese Consulate here explained they would be sent back to China on another ship.

Loading activities ceased when members of the International Longshoremen's and Warehousemen's Union refused to pass the picket line.

### Not Ordered by Union

They still declined to go through the lines today, and the matter was referred to the Waterfront Employers Association. The workers emphasized that their refusal to load the scrap iron was not ordered by the union, but that they had decided this as individuals.

Ninety-six Chinatown organizations, meeting at the Chinese Six Companies in Chinatown last night, voted their thanks to the longshoremen. Generalissimo Chiang Kai Shek was cabled of the tieup, and that \$100,000 in war defense money, raised in America, was on its way to him.

In yesterday's throng was Lieut. Gov.-elect Ellis E. Patterson, who lauded the pickets for "upholding American democracy."

The shipping of munitions materials to Japan meant the bombing of defenseless women and children in China, he declared, adding:

"By such demonstrations as this the public can express its disapproval of this country shipping such materials and can impress upon congressmen its desire for neutrality in foreign affairs."

### All Unions Asked to Aid

The demonstration was called by the United Chinese Groups and the United Committee to Boycott Japanese Goods.

A band and 500 Chinese school children lent color to today's picketing.

All labor unions were invited to join in the protest.

The Spyros is under charter to the Japanese Mitsui Co. to deliver cargo to Tokio.



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#### "JAPANESE TERROR IN CHINA"

Reviews now coming to hand indicate that "Japanese Terror in China", the book by Mr. H. J. Timperley, China correspondent of the "Manchester Guardian", and advisory editor of ASIA magazine, which describes and documents the Japanese military atrocities in China, is meeting with a splendid reception from the public and the press.

The treatment of the subject matter, the careful documentation of facts and the sober style of presentation has made a deep impression upon a nation which twenty years ago was embittered by the expose of World War atrocity stories.

"For thirty years I have had occasion to expose my intelligence to the atrocity product of military conflicts and have never seen any publication on military terrorism that approaches in calmness, balance and substance of the evidence this work of Mr. Timperley's," wrote Mr. Denys P. Myers of the World Peace Foundation. "I am particularly glad that this volume has been published because its tone seems to me admirably adapted to convince many people of the necessity of a positive policy in the Far East, even when they fail to react to the real crimes of which the atrocities are simply a surface indication."

"It is a startling revelation of the actual nature of the war Japan is waging, and an inescapable appeal to civilization against these unspeakable horrors," wrote Mr. Charles Edward Russell of the Chatterton-Lacy Foundation. "You have done us a great service to bring out this book. I wish every American would read it and ponder well its implications."

This book may be obtained from the publishers, Modern Age Books, Inc., 432 Fourth Avenue, New York City, if not available at local bookstores. The price is 75 cents.

#### SAMPLE PRESS REVIEWS

"It is hardly surprising that most Americans are pretty gun-shy about wartime atrocity stories. After our experience with the horrendous myths of the World War --ground out by the yard in efficient lie factories--we are pretty well advised to take horror tales with a wagon load of salt.

"Yet it is hard to see how 'Japanese Terror in China' can be laughed off. Mr. Timperley is a reputable newspaperman--China correspondent for the Manchester Guardian--and he has assembled here, from American and Europeans in China, documents which can be hardly dismissed as mere propaganda.

"The writers of these documents lived through the Japanese conquest of various Chinese cities; and their reports about the reign of terror which followed the conquest give the Japanese army a black mark which will take a lot of washing off."  
Bruce Catton N.E.A.(Syndicated Reviews).

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"The most violent, colorful tales of atrocity circulated during the World War, for propaganda purposes, are nothing compared to the official reports of the International Committee for the Nanking Safety Zone, compiled by Mr. H. J. Timperley of the Manchester Guardian. Mr. Timperley's reputation as a China correspondent, and his seventeen years of residence there are sufficient guarantee of his trustworthiness in this respect." Los Angeles Times.



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"History of the future no doubt will describe Japanese atrocities in the capture of Nanking last year-end as among the worst which ever occurred in warfare. Heretofore that story has been told only peace-meal.

"Now, an excellently documented record of murder, robbery and unspeakable horror has been presented by a writer whose honesty and whose position to observe and obtain records apparently are above challenge. The book, "Japanese Terror in China," is the work of H. J. Timperley, China correspondent of the Manchester Guardian.

"There is no attempt to do more than present the unvarnished stories of eye witnesses and scores of case records of the most savage brutality inflicted upon combatants and noncombatants, men, women and children alike before the lust of the Japanese soldiery was sated and controlled. The little paper-bound volume contains a wealth of material with which to confound any pleadings in defense of the Japanese conduct in China." Cincinnati, Ohio, Post.

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"The China correspondent of the Manchester Guardian presents a collection of authentic, documented accounts of neutral eye witnesses to Japan's occupation of North China. Much of this material was intended for the Manchester Guardian but the Japanese censors refused to pass it. Mr. Timperley offers these factual day-by-day records not as atrocity stories for propaganda's sake, but so the world may know what a modern war of aggression is like stripped of all glamor. Makes grim reading." San Francisco Chronicle.

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"If you have any illusions on the score of modern, streamlined warfare, Mr. Timperley's well-documented exposition will dispel them.

"China correspondent for the British Manchester Guardian and a resident in the Orient for 17 years, Timperley is as conversant with what the Japanese describe as an 'incident' in the Orient as any living man today.

"His story, told pointedly and succinctly with eye-witness precision, is a rare testimony to the ability of news gatherers to bring the facts of the case to the world attention under the terrific pressure of censorship." Oakland, California Enquirer.

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"The citizens of the United States who have aided in this slaughter by the sale of materials and munitions to the Japanese should be forcibly prevented from continuing this inhuman trade, if our neutrality laws are to be more than gesture. Indeed, since Japan has closed China to American trade, why should not the United States close United States ports to Japanese trade in just retaliation. Should we stand idly by and assist in the outraging of all the tenets of human decency?" Dayton, Ohio, Journal.

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"The China correspondent for the Manchester Guardian writes only of atrocities for which he adduces proof. They are enough. The book is sickening--and factual." Washington, D. C. Star.

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#### NEWS NOTES

A surprising development at the end of the year was the sudden appearance in Hongkong of Mr. Wang Ching-wei, well known as the leader of Right Wing of the Kuomintang, and the issuance by him of a statement favoring peace negotiations with Japan on the basis of terms set forth on December 22 by the Japanese Premier in a declaration of policy concerning China.

Two "New York Times" despatches sent from Shanghai on the same day, December 31, conveyed varying impressions as to the significance of Wang's move. In a Shanghai despatch under date of December 31, Hallett Abend saw it as the culmination of a "long suspected but long concealed serious rift within the Chinese Government." Abend suggested that although Wang had lost much of his following and had suffered a sharp decline in political prestige, he still commanded enough adherents to be able to rally a strong "peace at any price" group which could seriously embarrass Chiang Kai-shek's government.

An unsigned special cable carrying the same date line but published in the "New York Times" on January 1, a day later than Abend's message appeared, said that it was believed in Shanghai that Wang's move was the result of protracted negotiations with Tokyo. The despatch said that his demarche was being interpreted as one of Japan's steps to counter America's and Britain's credits to China.

Whatever may have been the motive behind Wang's action, well-informed Chinese agree that it is probably just as well that matters have come to a head in this way. They point out that, because of the uncompromising opposition to the so-called Chinese Communists which Wang had maintained throughout the war, he has long been out of step with Chinese public opinion, which has increasingly favored the formation of a united front with the Communists on the basis of a common determination to resist Japanese aggression.

The view is expressed by these observers that the policy advocated by Mr. Wang would mean political suicide for China as an independent nation and that he himself has, at long last, committed political suicide by putting it forward. Since, as pointed out by Abend, Wang has lost much of his following, and he has never had any substantial military backing, it seems highly improbable that he will be able to rally any considerable support for his program. On the other hand, the drastic action of the Kuomintang in expelling Wang from the party and removing him from all his government posts likely to have a salutary effect in discouraging any similar move in future, with the net result that the government's position will be strengthened rather than weakened.

It is also pointed out that this development will now make it possible for the government to eliminate a number of officials who were appointed in order to placate the Wang Ching-wei faction but were otherwise unfitted for their position.  
-- H.J.T.

#### CHINA MISCELLANEA

DON BATE, lecturer, who has talked to some of the most distinguished audiences in America on Far Eastern problems under the guise of "100 per cent Americanism" (i.e., withdrawal of American interests from the Far East, avoidance of any offense to Japan, Pulling Britain's Chestnuts from the Fire, etc.), has finally

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registered with the Department of State as being employed "for occasional work by the Japanese Chamber of Commerce of New York."

CORRESPONDENTS IN CHINA. Mr. F. Tillman Durdin, the crack New York Times correspondent, is on his way to Chungking, the new Chinese capital, via French Indo-China and Yunnan. He will travel part of the distance by truck. He expects to remain in West China until June when he will return to Shanghai and relieve Mr. Hallett Abend, the "bad boy" of the China press corps, who is going on an extended leave of absence. Mr. Karl Eskelund, is leaving on a long trip into the Chinese interior. Mr. Jack Belden, former United Press correspondent, has left via Wenchow, Chekiang, for a tour of Fourth Route Army territory between Nanking, Shanghai and Hangchow. Mr. Weldon James, U. P., and Mr. Norman Soong, A. P., both survivors of the Panay sinking, are now in America. Mr. Reginald Sweetland, Chicago Daily News, and F. M. Fisher, U. P., are expected in America soon on leaves of absence.

THE REFUGEE---TODAY AND TOMORROW is the name of the latest MARCH OF TIME release now showing in American motion picture theatres. It is a dynamic presentation of the world's most vital problem today and should be seen by every living American. Actual conditions in war-torn China open this courageous, epic-making production.

THE JAPANESE FINANCIAL COMMISSION is taking up permanent headquarters in Washington and New York with the object of securing American loans for "reconstruction" in the conquered areas of China and in Manchuria. Arrival of the new mission was coincidental with the publication of new violently anti-Chinese pamphlets by Ralph Townsend, David Warren Ryder and other noted exponents of Japanese hegemony in Asia. Publication of the 100-page supplement on American Manchoukuoan Trade Relations in the N. Y. Journal of Commerce, was also very timely although the publishers deny there is any connection.

DR. M. S. BATES has completed a new brief study of economic conditions around Nanking which will be available in a few weeks. Part of the study was printed in the American press.

COMBINATION OFFER of the Japanese Terror in China by Mr. H. J. Timperley (75cents) and War Damage in the Nanking Area by Dr. Lewis S. C. Smythe of the University of Nanking (50 cents), is for a combination price of 75 cents is being offered by The American Committee for Non-Participation in Japanese Aggression, 8 W. 40th St., New York City.

HAMLET, a well-known play by Mr. William Shakespeare, has been banned in Japan because of Mr. Hamlet's "dangerous thoughts", including disrespect for royalty.

--- E.H.L.

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Reprinted from New York Herald-Tribune December 11th, 1938.

# China Fights Civilization's Battle

## An Appeal for Help to Defeat Ruthless Invasion

To the New York Herald Tribune:

The war in China has ceased to yield dramatic news. Though the Japanese are fighting hard to clear the railways between Peiping and Hankow and between Hankow and Canton, and the Chinese are resisting stubbornly; though Japanese bombers continue to kill, maim and impoverish thousands of Chinese civilians daily in remote centers of population, and though Chinese guerrillas continue to hover along the lines of communication which Japan already controls and to pick off a few thousand Nipponese daily, the character of the war has changed. There are no more great battles between hundreds of thousands of men on each side, and it is not likely that there will be; so there is almost nothing in the news that the average newspaper reader can reconstruct in his own imagination as a great spectacle. There is little emotional appeal in the correspondence from the East except when some Japanese general, or statesman, or officially inspired newspaper writer tells us where to get off with our outmoded and "inapplicable" treaties.

In the back of its mind a large proportion of the American public continues to be indignant with Japan and to hope against hope that the Chinese will still somehow get the best of the invaders; but another big element in the population has conceded the eventual victory to Japan and is wondering what kind of terms can be made with Nippon when she is China's undisputed mistress—undisputed except for Mr. Hull's periodical reminders to the Japanese Foreign Office that it's all very irregular. Japan's agents in this country have become aware of the growth of this element and of the fact that the hostility of the rest is dormant, and have delightedly informed their government that now is the time to get at this receptive audience with reassuring propaganda.

Now is the time, before Chinese resistance and the indifference of the Japanese army to the hardships of their own people breaks Japan, and before our government is moved by re-aroused opinions to cut off the flow of essential raw materials to the Japanese war machine, to divide our councils with wheedling propaganda. Those susceptible to wheedling should be inundated, they say, with assurances that Japan's motives in China are purely altruistic and that she proposes to improve the lot of that bandit, graft and tax-ridden people by fostering honest government, more railroads, more highways, a tremendous industrial development, scientifically planned agriculture, a reliable currency and adequate police protection, so that under Japan's friendly patronage this country will at last find the market in China that it has always dreamed of, and will thank Nippon for the great sacrifice she is making to free a quarter of the world's population (or as much as is left of it when her work is done) from their own ancient traditions of tyranny and from the creeping Red paralysis.

Every recent Japanese publication that comes to me takes up and echoes the call to action in this country; and while the Japanese are clumsy propagandists, they are persevering and tireless, persistently courteous in the face of rebuffs and

as plaintively mendacious as an Oriental beggar.

Now, I think it is high time that American public opinion be organized and marshaled to forestall all wheedling appeals from Japan either to a sentimental appreciation of her dainty culture or to our self-interest and cupidity. It is time that we stopped listening with an indulgent smirk to talk about the sterling virtues of the Japanese people and their esthetic refinement. The Japanese army is drawn from what all authorities admit is the best element in the islands, the farm population, with officers largely chosen from the Samurai caste, with its much vaunted knightly code.

But this precious organization has operated in China with wholehearted devotion to a ruthless, often bestial and utterly shameless campaign of frightfulness, bombing scores of densely populated cities, hundreds of miles beyond the fighting fronts, to inspire terror, butchering prisoners to save their keep, looting, murdering and torturing conquered civilians.

It is high time that every American appreciated that Japan has no intention of building a new China on the charred and bloodstained ruins of the old for any one's exploitation but her own; and that she will recognize no single Occidental right, treaty or tradition, after she is free to deny it, unless that right is backed by superior force. I think it extremely important that all America should speedily understand that, until Japan's military power is broken and her ambition to go swaggering about the world proving her racial superiority is completely abandoned, there is not the slightest hope that this or any other country can enjoy relations with her that are founded in good faith.

Japan used to be extremely jealous of her reputation for a meticulous observation of the letter of a contract and of the international proprieties. She needed the world's indulgence while she expanded and grew in striking power; and to this end she craved the world's good opinion. She tried desperately to prove that she was as civilized as the Occident in the Occident's own way, because she feared that if she did not appear to be as honest, decent and law-abiding as the most powerful nations of the West, her expansion would be forbidden and her growth as a power nipped in the bud.

She has almost no concern now for any one's good opinion or good will. If she did not need this country as a market and a source of war supplies she'd have none.

What is more, she no longer believes that honesty is the best policy or that good faith is essential to good international standing, even in the Occident. For are not Germany and Italy shining examples of the success that attends a thoroughly armed and highly disciplined nation's contempt for both? Since she can best cultivate the respect of these mighty powers by proving her ability to beat a neighbor into submission and by thumbing her nose at the democracies with their simpering devotion to the virtues of the weak; and since these consecrated victims of the strong and ruthless dare not even declare the outlawry of those who publicly and flagrantly violate their codes, why pretend to respect them? Hasn't the good old

Asiatic doctrine of the divine right of a well ordered despotism to extend itself by violence and brutality been so successfully reintroduced into Europe that the prime ministers of Europe's only two powerful democracies go scurrying to kiss the hands of the good old order's prophets at each imperious beck? What has Japan to do but clean up this job in China, face her armed forces about, get in on this imperious beckoning business and show the European apostles of Asiatic statecraft how a real Asiatic does such things?

Now, even though one had no sympathy whatever with China, and even though one were convinced that neither China's trade nor our investments in China nor our prestige in the East would ever be worth enough to us to justify a falling out with as good a customer as Japan, the return of a system of international relationships based on good faith, a state of things under which one's peace and independence did not depend wholly upon an enormous armament at enormous cost, certainly depend almost wholly upon the failure of militant Fascism to achieve its ends.

It ought to be the ambition of every convinced devotee of law and liberty to see aggressive despotism fall conspicuously to pay its way, and his duty as well to contribute by every possible means within our own laws to bring about such a failure. There is no quarter in which such an upshot of aggression is so likely now as in China, where the Chinese are so desperately and doggedly fighting it with its own weapons. The Chinese are fighting our fight. If they can exhaust Japan, discredit her army and break its grip on Japan's foreign policy, they will have put a severe crimp in the style of all the totalitarians and will have spared the world, including the U. S. A., the doing of what will be an inevitable but increasingly difficult and costly job.

In this situation China should be getting a hundred times the moral support from the American people that she has so far elicited, and public opinion should tolerate no comfort to an enemy of China that is an open enemy to our civilization. Under our neutrality act as it stands we can do nothing as a nation to discriminate in favor of China; but to discomfit Japan materially the individual American does not need to wait for government action to do his bit. He can help every day in some way to build the fully justified conviction in this country that Japan is an outlaw nation, whose career no citizen of this Republic can abet with words, goods or wealth without being accessory to crimes against honor and decency.

Whenever any one pleads in the name of misplaced tolerance that Japan has such a pretty-pretty culture, and that she aspires sincerely to close friendship with the American people, let us always be quick to point out that, under the leaders whom they now proudly and diligently support, the Japanese "pay tithe of mint, anise and cummin, and have omitted the weightier matters of the law, judgment, mercy and faith." Help to make this the national verdict, bluntly and clearly expressed, and neither bombs nor brutality will ever subdue China.

RODNEY GILBERT.  
New York, Dec. 9, 1938.

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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 13-18-75

# JAPAN'S WAR IN CHINA

By

HU SHIH

*Chinese Ambassador  
to the United States of America*

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

With the Compliments of  
CHINESE CULTURAL SOCIETY,  
5 East 57th Street,  
New York, N. Y.

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

## JAPAN'S WAR IN CHINA

*Resumé of an Address by His Excellency Dr. Hu Shih, Chinese Ambassador to the United States of America. New York, December 4, 1938.*

If I were asked to sum up in one sentence the present conditions in my country, I would not hesitate to say that China is literally bleeding to death.

We have been fighting for more than sixteen months against an aggressor which is one of the three greatest naval powers, and one of the four or five greatest military powers of the world. We have suffered one million casualties, including the killed and the wounded. We have vast territories being occupied by the invading armies. We have lost all the important cities on the coast and along the Yangtse River: Peiping, Tientsin, Tsingtao, Tsinan, Shanghai, Hangchow, Nanking, Wuhu, Kiukiang, Amoy, Canton and the Wu-Han cities. Practically all the cities that are generally known to the outside world as centers of commerce and industry, of education and modern culture, of transportation and communication, are now either devastated or occupied by the invaders. Of the 111 universities and colleges, more than two-thirds have been either destroyed, occupied, or disabled; and the very few that are still functioning in the interior are working without equipment and under constant dangers of air raids. And, in addition to the vast number of casualties in the fighting forces, there are now 60 million civilian sufferers who have been driven from their destroyed homes, farms, shops and villages, and who are fleeing the invader and are roving the country without shelter, without medical aid, and in most cases without the barest means of subsistence. And there are every day hundreds of innocent non-combatants being murdered and slaughtered by the bombers of the Imperial Army of Japan.

And, most serious of all, with the loss of Canton in October, China is now entirely cut off from all access to the sea,—that is, from all access to fresh supplies of arms and munitions from abroad. We have to rely upon three back doors for future war supplies from abroad, namely, the overland route to Soviet Russia, the route through French Indo-China, and the route through British Burma. All these three routes are very difficult and not always dependable. After repeated threats from Japan, the French are reported to have now closed the Indo-China Railway to Chinese munitions. The overland motor road to Soviet Russia is open, but it is 3,000 miles from the Russian border to the present capital at Chungking, a distance longer than that from San Francisco to New York. No heavy pieces of munitions can be transported over such a long road with very few service stations. The Burma route is not yet quite ready for use. So for the present we are actually completely cut off from the sea and from our sinews of war. This also means that we are faced with tremendous difficulties in sending out our exports with which to secure our foreign exchange.

This is our present situation. Have I overstated the case in saying that China is literally bleeding to death?

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It was natural that, after the fall of Canton and Hankow, there was a brief period of doubt, hesitation and even despair on the part of many of our people and of our leaders. As I have repeatedly pointed out to my American friends, there is a limit to the ability of human flesh and blood to fight against much superior mechanical and metal equipment; and there is always the danger of collapse through sheer exhaustion. It was quite natural, therefore, that my people should have had this period of doubt and indecision during which, as the press reported, there were talks of peace,—that is, there were serious thoughts of giving up the fight. In fact, our enemy, too, made it quite clear that they wanted peace.

But this period of hesitation was also a period of great decisions. It did not take very long for our leaders to come to the conclusion that it was impossible for China to have peace at the present moment simply because there was not the slightest chance for a peace that would be reasonably acceptable to my people. After serious considerations of all difficulties and potentialities, our leaders have definitely decided to continue our policy of resisting the invader and to fight on.

In announcing this new determination to the nation and to the world at large, Generalissimo Chiang Kai-shek laid special stress on these points: that China will continue her policy of prolonged nation-wide resistance; that as the war has become really "nation-wide" and the enemy is drawn into the interior, both time and geography are on our side; that our war of resistance during the past 16 months has succeeded in retarding the westward advance of the enemy, thus enabling ourselves to develop communications and transportations in the vast hinterland and remove some industries thither; that we can only hope to win final victory through the greatest hardship and sacrifice; and that this war of resistance must be understood as a "revolutionary warfare" similar to the wars of American Independence, French and Russian Revolution and Turkish Emancipation, and in such revolutionary warfare the spirit of the people will ultimately win out.

This is the solemn declaration of China's new determination.

\* \* \* \*

What will the world think of this new decision of my people to fight on against tremendous and apparently unsurmountable difficulties? Will it regard this determination as sheer folly built upon no better foundation than the logic of wishful thinking?

Whatever the world may think of us, I can assure you that a nation that has sacrificed a million men and is prepared to make even greater sacrifices in fighting for its national existence cannot be accused of basing its hopes and aspirations upon mere wishful thinking. We are making a deliberate decision on the basis of the sixteen months' terrible but very instructive experience of the war. We have learned during these terrible months that our soldiers and officers are capable of heroic bravery and supreme sacrifices, that our



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people are bearing their losses and devastations without complaining against their Government, and that the sense of national unity and solidarity throughout the country including the parts temporarily under the military occupation of the enemy is beyond question. And we have also learned that our enemy is actually feeling the burden of the prolonged war; that Japan's finances are nearing the breaking point; that she is employing her full armed strength in fighting a nation which she had never seriously considered as capable of putting up a fight; that she is terribly worried by the vast expenditure of her store of war munitions intended for greater wars against more formidable foes; and that it is not impossible for us to wear out our enemy if we can only fight on long enough.

\* \* \* \*

Moreover, it seems to me as an amateur historian that there is much truth in the statement that our war of resistance is a kind of "revolutionary warfare" which can best be understood in the light of the history of the revolutionary wars of America, France, Russia and Turkey. Surely an American audience can appreciate this historical analogy. Not very long ago, an American friend wrote me these words: "China is now at Valley Forge; but I hope she will soon be at Yorktown." These words were written before I read General Chiang Kai-shek's message referred to above. It may not be entirely out of place for me to develop this historical analogy a little further.

John Fiske, one of your most scientific historians, said: "The dreadful sufferings of Washington's army at Valley Forge have called forth the pity and the admiration of historians. As the poor soldiers marched on the 17th of December (1777) to their winter quarters, their route could be traced on the snow by the blood that oozed from bare, frost-bitten feet. . . . On the 23rd, Washington informed Congress that he had in camp 2,898 men 'unfit for duty, because they are barefoot, and otherwise naked.' Cold and hunger daily added many to the sick-list; and in the crowded hospitals, . . . men sometimes died for want of straw to put between themselves and the frozen ground on which they lay. So great was the distress that there were times when, in case of an attack by the enemy, scarcely two thousand men could have been got under arms." (Fiske, *The American Revolution*, II, pp. 28-29.) That was Valley Forge in the winter of 1777.

Shortly after that, the English Government under George III and Lord North offered peace by unconditionally repealing all the laws which had led to the revolt of the American Colonies. It was declared that Parliament would renounce forever the right to raise a revenue in America. And commissioners were sent to America to deal with Congress, armed with full powers to negotiate a peace.

That was an offer of an honorable peace. Had the Fathers of this Republic accepted it, it could have avoided four more years of bloodshed and sacrifice, but there would have been no Independence and no United States of America.

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The founders of the American Republic rejected the peace of 1778 and fought on for four years longer and won the final victory at Yorktown in October, 1781.

We must remember that those intervening years were often almost as difficult and perilous as the dreary winter at Valley Forge. There were military reverses and losses of territory, and there were internal troubles and even high treason. There was no continental government; after three years' discussion, the Articles of Confederation had not yet been adopted. The Continental Congress had rapidly declined in reputation and authority. Congress had no power to tax the States; it could only go on printing more and more "greenbacks" to finance the war. This paper money soon depreciated until, Washington said, "it took a wagon-load of money to buy a wagon-load of provisions." "Early in 1780 the value of the dollar had fallen to two cents, and by the end of the year it took ten paper dollars to make a cent. . . . The money soon ceased to circulate, debts could not be collected, and there was a general prostration of credit. . . . A barber in Philadelphia papered his shop with bills." "Under these circumstances, it became almost impossible to feed and clothe the army. . . . When four months' pay of a private soldier would not buy a single bushel of wheat for his family, and when he could not collect even this pittance, while most of the time he went bare-foot and half-famished, it was not strange that he should sometimes feel mutinous." (Fiske, *op. cit.* II, pp. 196-200.)

Such were the conditions in 1780. Yet Washington and his colleagues did not give up the fight. A year later, the final victory came at Yorktown which ended the military phase of the War of American Independence.

I have gone into some details in describing the hardships and the difficulties of the War of 1776-1781, not only to show that the conditions of the Continental Army of Washington were not much better off than those of the National Army of China in the present war, but also to illustrate what General Chiang Kai-shek means by characterizing our war of resistance as "revolutionary warfare in which the spirit of the people will ultimately win out." All revolutionary wars were fought by poorly equipped but idealistically inspired peoples against the well-equipped regular armies of an oppressor or aggressor. In the end, final victory almost invariably came to those whose idealism and heroism could overcome the greatest hardship and sacrifice.

If this is still wishful thinking, it is a type of wishful thinking so inspiring and so enticing that millions of my people are determined to test it out with their blood and their lives.

\* \* \* \*

Before concluding, I like to make another observation,—again based on historical analogy. I like to ask a question: How did the fathers of this Republic ever get out of Valley Forge and march on to the final victory of Yorktown?

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All historians agree that two factors were responsible. The first was that the Revolutionary Army fought on in spite of almost unsurmountable difficulties. But there was another and equally important factor, namely, that the cause of the American Revolution was greatly aided by the international situation of the time. The England of George III was disliked and hated by the great powers of Europe, whose sympathies were naturally on the side of the American colonies. The Continental Congress sent a diplomatic mission to Europe, directed primarily to the French Court of Louis XVI. Among the members of the mission was Benjamin Franklin who later became the first American Minister to France, and who concluded a commercial treaty and a treaty of alliance with France and secured from France not only loans and subsidies totalling 45,000,000 *livres*, but also important military assistance in the form of a large and well-equipped expeditionary force. Even the most ardent advocate of American isolationism, Professor Samuel Flag Bemis, tells us that "the combination of French armies and fleets in America with General Washington's forces brought about the final fortunate victory of Yorktown. The French alliance was decisive for the cause of American independence. No American should forget that." (Bemis, *A Diplomatic History of the United States*, p. 31.)

But it was not the direct assistance from France that alone was decisive for the American cause. The whole international situation at that time was directly and indirectly advantageous to the American Revolution. France and England were in an undeclared war as early as 1778. Spain declared war on England in 1779. In 1780, Empress Catherine of Russia proclaimed the principle of the freedom of the seas and the right of neutrals, a principle which was immediately accepted by all the enemies of England. In 1780, too, Holland was at war with England. But the year before the British surrender at Yorktown, England was practically at war with the whole European world and her colonial possessions everywhere were seriously menaced by France and Spain. It was this adverse international situation which made it impossible for England to reinforce her armies fighting in America and to deal any effective blow to the relatively small forces of Washington.

The moral of this historical analogy is quite clear. The final victory of China in her war of resistance to the aggressor, too, must depend upon two things: first, she must fight on, and she has no choice but to fight on; second, in her prolonged war, the time may come when the international situation may turn in her favor and against her enemy. She does not expect any other nation, however friendly and sympathetic, to take up arms and fight on her side. But she does expect, and she has a right to expect, that the sense of justice and the feeling of common humanity may yet be strong enough to move the men and women of the democratic and peace-loving countries to put a stop to the inhuman traffic of supplying weapons of war and essential raw materials for the manufacturing of weapons of war to a nation which was unanimously condemned by over 50 nations as the violator of solemnly pledged treaties and as the breaker of world peace, and which I do not hesitate to name as Public Enemy Number One among the family of nations.

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*Partial List of Publications*

China Speaks on the Conflict Between China and Japan, by Chih Meng.  
The Macmillan Company, New York, 1932.

Memoranda Presented to the Lytton Commission, by V. K. Wellington Koo,  
Assessor. Three volumes. 1932.

The Broader Issues of the Sino-Japanese Question, by Sao-Ke Alfred Sze,  
Chinese Minister to the United States. 1932.

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United States. 1933.

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1937.

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DOCUMENT FILE

NOTE

SEE 893.00 P.R. Tientsin/127 FOR #699 to Embassy

FROM Tientsin (Caldwell) DATED Dec. 7, 1938  
TO NAME 1-1127

REGARDING: Sino-Japanese conflicts: report on developments in Tientsin  
District during November 1938.

wb

793.94/ 14590

14590

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Additional Section necessary.

B. Relations with Other Countries.

1. Japan.

a. Shansi. No developments of particular significance in the situation in Shansi were reported during the month.

b. Inner Mongolia. Except for newspaper and other reports regarding trade and monetary control measures, no developments of importance in Chahar and Suiyuan were reported.

c. Hopei.

(1) Political Situation. No important developments in the political or military relations between the Japanese and Chinese in Tientsin and Hopei were reported during November. The month was particularly notable in that it was the first since June 1937 in which there was no incident involving the Japanese with either the British or the French. Toward the end of November rumors were current in Tientsin of plans on the part of the Japanese to establish a Central Government of China in Peiping with Wu Pei-fu (吳佩孚) at the head.

(2) Guerrilla Warfare. The Japanese reported numerous successes in Hopei and Shansi in their operations against the Chinese guerrillas

whom

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whom they describe as "bandits" or "communists". The reports appeared at times to be slightly exaggerated.

A Japanese unit occupied Lintsing and Tung Ch'ang, west of the Tientsin-Pukow Railway in North Shantung. Japanese sources reported that they had succeeded in driving out from these cities Chinese troops, whom they term "communist bandits". American sources reported that the Chinese troops in occupation of Lintsing withdrew without fighting and Japanese military activities were restricted to rape, murder and looting. The Americans resident in Tung Ch'ang were reported safe after the Japanese occupation.

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## DOCUMENT FILE

## NOTE

SEE 693.001/464 FOR despatch # 3535

FROM Japan (Grew) DATED Dec. 23, 1938  
 TO \_\_\_\_\_ NAME \_\_\_\_\_ 1-1127 \*\*\*

REGARDING: Japanese statements of China policy -  
 Submitting -. Newspaper clippings. Statement  
 by Prime Minister also statement by Minister for  
 Foreign Affairs.

dt

793.94/14591

14591



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NOTE

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SEE 741.00/218 FOR #1759

FROM Great Britain (Sheffield) DATED Dec. 23, 1938

791 NAME 1-1127 ...

REGARDING:

Mr. Chamberlain on British Foreign policy as debated in  
 the House of Commons on Dec. 19, 1938.

14592-

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 Department of State letter, August 10, 1972  
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DOCUMENT FILE

NOTE

SEE 893.6363/207 FOR Memorandum

State Department  
 FROM FE (Hamilton) DATED Dec. 28, 1938.  
 TO NAME 1-1127 \*\*\*

REGARDING: Japanese activities in China: Mr. Welles informed officer of Standard Oil Development Company that American concerns should not take action which would facilitate -; subject of discussion being Japanese government 's desire to obtain the right to use the hydrogenation process for making oil from coal.

793.94/ 14593

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NOTE

SEE 890.00/127 FOR Memorandum  
State Department  
Far Eastern Division  
FROM (Salisbury) DATED Jan 5, 1939.  
TO NAME 1-1127 ...

REGARDING: Situation in the Far East; developments during past week.

FRG.

793.94/ 14594

14594

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Department of State letter, August 10, 1972  
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DOCUMENT FILE

NOTE

SEE 793.94119/487 FOR Tel 8: 4pm

FROM China (Lockhart) DATED Jan 6, 1939  
TO NAME 1-1127 \*\*\*

REGARDING: Konoe's statement and Wang Ching Wei's declaration: reportedly issued by mutual agreement.

Information received locally, tending to confirm reports. Wang, according to press, will, shortly, issue supplemental statement.

FRG.

793.94/ 14595

14595

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## DOCUMENT FILE

### NOTE

SEE 893.00 P.R./151 FOR # 1784

FROM China (Lockhart) DATED Nov 14, 1938  
TO NAME 1-1127 \*\*\*

REGARDING: Sino-Japanese conflict: developments for the month of Oct., 1938,  
in summary.

FRG.

793.94 / 14596

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4. Japan:

a. Military successes of far-reaching importance in South China and Hankow Campaigns:

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The Japanese forces gained in October successes of far-reaching military (as well as political) importance. In south China they undertook a long-feared but at the time unexpected invasion which met little Chinese resistance and resulted in ten days in the occupation (October 21-22) of Canton. In the Hankow area, the tempo of the Japanese drive was accelerated and, presumably in part because Chinese morale was adversely affected by the collapse at Canton, the Japanese broke quickly through the remaining defenses and entered the urban cities (October 23).

The South China campaign resulted in the complete disruption of the chief channel of supplies for the Chinese forces, deprived the Chinese Government of rail (except for the short Indochina-Yunnanfu line) and water communication with the outside world, and brought Yunnanfu and a segment of the Chinese secondary supply system within practicable bombing range. By the capture

of

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of the Kuan cities the Japanese gained the third corner of the great triangle formed by the Peiping-Shanghai-Hankow areas which, marked out by lines of communication on three sides by sea, rail and river, has roughly circumscribed the hostilities. Possession of Hankow (a) relieved a considerable part of the tension which had been caused by the continued extension of Japanese lines from the base of the triangle (the Shanghai-Peiping side) and opened the Yangtze river (the Shanghai-Hankow side) all the way from the sea to the newly acquired advanced base; (b) lost to the Chinese the Hankow-Chengchow segment of the hypotenuse which had enabled them to maintain contact with a vast area to the north and west which in turn had constantly menaced the whole right flank of the Japanese-occupied area and safeguarded the Sian-Lanchow route of supply from Soviet Russia, (c) rendered the Japanese line of supply (now mainly along the Yangtze) less subject to attack by guerrilla warfare than it had been in the case of the railroads, (d) placed the Japanese in position to support their troops on the Peiping-Hankow hypotenuse from two directions (i.e. from Hankow as well as from Peiping), thereby facilitating any operations to the westward, and (e) brought Chungking and other remaining Chinese centers within practicable bombing range.

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b. The South China invasion:

Although a Japanese invasion of South China had

generally

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7. Tokyo's 857, October 12, 10 a.m.; Hong Kong's October 17, 11 a.m., October 18, 8 p.m., October 19, 7 p.m.; Canton's October 18, 4 p.m., October 19, 7 p.m., October 19, October 20, 7 a.m., October 21, 1 p.m.

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generally been considered inevitable and although there had been rumors from the beginning of October that invasion was imminent, the Japanese landing on the night of October 11 at Bias Bay found the Chinese unprepared with the result that Japanese military operations met with spectacular success. The first landings were effected at three places on Bias Bay (near Autow, Hachung and Panwoakong) without any Chinese resistance. The troops which landed at Autow and Hachung made a junction October 14 at Tamsui; thereafter one contingent went north to Chenlung (October 15) and the other proceeded west by south, taking on October 16 Lungkang and on October 17 Pingwu (on the Canton-Kowloon Railway about 11 miles northwest of Shumchun at the British border). The units landed at Panwoakong on the north side of Bias Bay took in succession Nishan, Pingshan (October 14), Waichow (October 15), Pakio (October 17), and Shekwan (October 19) on the East River opposite Shuklung. Shek-lung also fell on October 19 to the forces which had cut the railway at Pingwu on October 17, and the Japanese thereby gained control of a 38-mile section of the railway.

Meanwhile Kwangsi and Kwangtung troops were rushed up to man prepared fortifications west of Waichow and stop the advance on Canton, but apparently no effective resistance was offered the Japanese in any sector, and all columns moved rapidly forward. Advance mechanized units were supported by intense aerial and in some cases artillery bombardment which greatly facilitated the swift

execution



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execution of the invasion and reportedly caused the defection of some Chinese troops. Forces from Peking took on October 19 Tsengcheng (some 40 miles east by north of Canton), and although it was reported that the Chinese would there undertake a major defense, the Japanese without difficulty pushed next day 10 miles westward toward Canton.

8

c. The occupation of Canton:

As the Japanese progressed inland, the civil population left Canton in daily increasing numbers; troops began about October 18 to evacuate and remove anti-aircraft guns and other defense equipment; retreating Chinese destroyed by fire or explosives military supply depots, public utilities and provincial and municipal industrial plants; and the evacuation became a mass rout. It was estimated that some 800,000 of the inhabitants fled in ten days, leaving from twenty to thirty thousand chiefly of the indigent classes.

The Japanese met no resistance when they approached Canton and found a virtually deserted city that was in the process of being largely destroyed. A Japanese advance tank unit entered the suburbs on the afternoon of October 21 and occupation was completed October 22, although the main body of Japanese forces did not enter the city.

d. The "scorched earth" policy:

The foreign settlements on Unasien were endangered by the fires and shaken by explosions but passed safely

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8. Canton's October 21, 8 p.m.; 2, October 22, 1 p.m.; 4, October 22, 2:30 p.m.; 10, October 22, 12 noon; 12, October 24, 10 a.m.; 15, October 24, 2 p.m.; 16, October 25, 12 noon; 21, October 26, 4 p.m.; 20, October 26, 5 p.m.; 22, October 27, 4 p.m.; 45, November 4, 2 p.m.

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safely through the crisis, as did generally foreign properties in the city, and were not molested by the Japanese (see page 23).

According to later Chinese announcement the destructive actions at Canton of fleeing Chinese were in pursuance of the "scorched earth" policy and were ordered by the National Government. Fires set in the city destroyed in the week following October 21 almost all of the wholesale district and a large part of the financial and retail center. Losses resulting from the "scorched earth" policy and from wholesale looting (by Chinese and Japanese) which continued until the last of the month, were tentatively estimated at from 50 to 100 million American dollars and it was expected that heavy capital investment would be required to replace the Hongsha railway yards and station, waterworks, post office, electric light plant and system, and damaged plants of the sugar, textile, paper, cement and other industries.

e. Collapse of Chinese defenses  
in the drive on Canton:

No satisfactory explanation appears to have been put forth for the unexpected collapse of the Chinese defense in the Japanese drive on Canton. Some observers assumed that General Yu Han-mou, Kwangtung Pacification Commissioner whose allegiance was purchased by General Chiang Kai-shek during the 1928 southwestern revolt, was bribed by the Japanese, but no substantiation of this assumption was forthcoming. Other observers pointed out that it was not likely that Yu, a wealthy man, would have been tempted by Japanese funds and

that

- 12 -

that, if he had been bought over by the Japanese, he could probably have surrendered Canton and remained there in some post of ostensible importance, rather than attempting the destruction of the city and proceeding inland into territory under Chinese control where presumably he would be seized by National Government authorities. The National Government itself discredited reports that bribery had played a part in the debacle as constituting propaganda designed to weaken Chinese morale.

It seems probable that some of the reasons for the collapse can be found in (a) lack of preparedness on the part of the provincial forces, (b) their inability to stand alone against mechanized troops supported by artillery and bombing planes, (c) lack of support by central government troops due to Chinese overconfidence and belief that invasion would continue to be postponed because of Japanese fear of possible complications with Great Britain. In this connection there were commentators who expressed opinion that the Chinese had failed to realize the implications of the Munich agreement resulting from the September political crisis in Europe. According to this opinion, the Japanese on the other hand correctly interpreted European developments to indicate that as Great Britain had not taken any but diplomatic action in Europe, the British would not go beyond diplomatic action in the Far East, and the Japanese commenced their south China invasion without further delay.

1.

- 13 -

1. Landing in the West River  
and on the Canton-Hankow Railway:

A Japanese force was landed October 16 near Fanchuan on the north bank of the Pearl River south and combined land and naval forces reduced on October 23 Hsueh Tigris (Hsueh) Forts and broke the dams across the river. Naval vessels reached Canton first on October 29 but others had proceeded up the West River, reportedly almost totally destroyed and passed Tatsien October 24, and took Samshui October 17. The Japanese claimed on October 30 that their land forces operating north of Canton had reached a point up the Canton-Hankow Railway near Pingtak which is some 35 miles from Canton.

The Chinese forces after withdrawing from Canton fall back to the west and northwest, and were preparing at the end of the month to block the West River at Hsueh (about 100 miles west by north of Canton and some 25 miles down river from Hsueh, Kwangsi) and had mined the river beyond Hsueh (7 miles above Samshui).

2. Attempted Landing  
near Swatow:

Following an intermittent shelling October 12 of the coast near Swatow by Japanese naval vessels and an air attack October 13 on the Swatow railway station, the Japanese made on October 14 three unsuccessful attempts to land forces outside Swatow. The naval vessels, numbering 8 cruisers, 1 destroyer and 10 transports,

later

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- 9. Canton's 30, October 29, 1 p.m.
  - 10. Canton's 28, October 29, 2 p.m.
  - 11. Canton's 42, November 1, 3 p.m.
  - 12. Canton's 24, October 29, 6 p.m.; 28, October 30, 8 p.m.
  - 13. Canton's 27, October 31, 3 p.m.
  - 14. Swatow's October 12, 2 p.m.; October 13, 4 p.m.; October 14, 4 p.m.; October 25, 2 a.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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later reported. Some 10,000 of the population fled almost immediately from the city and before the close of the month an estimated 80 percent had left. (Thirty-five Americans remained in Suatow.)

15  
h. The offensive against Hankow:

Japanese forces had progressed at the end of September a little beyond Fienchiachen (captured September 28) on the north bank of the Yangtze River about 80 miles below Hankow. The Japanese column on the extreme right (northern) flank directed against Sinyang, Honan, on the Pingnan Railway had passed Loshan, Honan, about 20 miles east of Sinyang. Another column on the right, farther south, had reached midway between Shuangcheng, Honan, and Hupoh, Hupoh, which was a strategic point in Hankow's defense. On the south bank of the Yangtze Japanese forces had driven southwest from Juichang, Kiangsi, to two-thirds of the distance to Sunning, Hunan. In general outline, the subsequent progress of these columns effecting a pincer-like movement on Hankow was as follows:

(1) In south Honan, forces from Loosan captured Lankang on October 5, Suilitien October 6 (here units branched northward to Changkowan, northwest to Yangho which was captured October 10, and others went westward and cut the Pingnan Railway), and took Sinyang October 12. Meanwhile another contingent was diverted from Loosan to the southwest and took on October 6 Liulin on the Pingnan Railway and turned toward Hankow. Yingshan,

Hupoh

15. Hankow's October 2, 11 a.m.; October 7, 11 a.m.; October 7, 4 p.m.; October 12, 8 p.m.; October 17, 3 p.m.; October 19, 3 p.m.; 1, October 22, 4 p.m.; 3, October 23, 5 p.m.; 4, October 24, 10 a.m.; October 25, 4 p.m.; 12, October 25, 4 p.m.; 16, October 26, 9 a.m.

- 15 -

Hupei (about 15 miles west of the railway), was taken October 24.

(2) On the north Yangtze bank a Japanese landing force captured on October 4 Panpishan opposite Tien-chiachen and forces from the latter place proceeded up river, taking Kichow October 6 with the aid of naval units, Kishui October 21, Sinchow and on October 24 Likitsi. Macheng, one of the main defense points, was reduced October 22-23. Japanese troops reached on October 24 Hwangpei (less than 15 miles north of Hankow), and with others from the east entered Hankow October 26.

(3) South of the Yangtze the Japanese in various movements captured on October 17 Shihweiyao and opened the river boom there, took Tayeh October 20, reduced on the way before Yangsin (whence a force proceeded southwest via Tungshan toward the Canton-Hankow Railway), took on October 19-20 Hwangshihkang on the Yangtze, Jencheng October 22-23, Klokation (about 20 miles east of Hankow) October 24.

16

1. The Fall of Huhang:

It became evident by October 20 that the Chinese did not intend to make a determined defense of Huhang (Huchang, Hankow, Hanyang). Withdrawal of military equipment began, preparations were undertaken to destroy Japanese-owned buildings, and mass civilian evacuation, which had been in process for several weeks, was accelerated. General Chiang Kai-shek left the night of October 24, presumably for Changsha, and the next

afternoon

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16. Hankow's October 19, 2 p.m.; October 20, 2 p.m.;  
1, October 22, 5 p.m.; 10, October 25, 9 a.m.;  
November 1, 3 p.m.

- 16 -

afternoon and night Chinese dynamited and destroyed by fire most of the Japanese Concession parts of the city and a few Chinese utility and industrial establishments. Military evacuation was speedily completed and when the first Japanese naval and land units entered Hankow October 28 they encountered no resistance and subsequently found free access also to Wuhan and Hanyang. (The specified zones for refugees and foreigners, including the French Concession, were respected by the entering Japanese forces, as was most foreign property, and the large number of foreigners there passed safely through the occupation; see page 24.)

The Chinese withdrawal from Wuhan was not a rout as in the case of Canton. Although Chinese morale was shaken by the Canton debacle, Consul General Josselyn reported that it was not broken and that the withdrawal was expertly executed. The Sienning sector, where a crucial stand was made, held until most if not all of the south bank defense had successfully pivoted around it to the west and south. The south bank forces did not withdraw; either they were unable to extricate themselves or remained by design in the Taping mountains to conduct mobile warfare behind the Japanese lines. The main Chinese defense force, however, remained intact and continued to resist further Japanese advance.

#### J. Capture of Tahan:

The Bingtze-Tahan sector continued during October to be an area of heavy fighting and stubborn Chinese resistance and it was not until October 27, almost two months after Japanese had approached within a few miles  
of

- 17 -

of Tchen and after they had twice announced its capture, that the position was finally reduced, leaving the way comparatively open down the Kiukiang-Nanchang Railway to Nanchang.

k. Further military operations:

In addition to "mopping up" activities in the rear, Japanese forces continued operations in the Hankow sector apparently with the purpose of; (a) driving on Chongsha, Hunan, the new Chinese military headquarters 250 miles south of Hankow on the Yang River; (b) attacking Nanchang, the principal Chinese air base; (c) and pushing up the Peking-Hankow Railway to make junction with Japanese forces along the railway in northern Hupoh. Hwayuan, Hupoh (about 50 miles north of Hankow) was captured October 29, presumably by forces from Macheng (captured October 22-23) and Hwangan (captured October 27), and troops from the east and from Hankow reached on October 30 Siachan on the railway about 35 miles north of Hankow. South of Hankow on the Canton-Hankow Railway, Japanese forces from the east captured Sienning October 27 and on October 30 took Tsigrakiao (about 10 miles south of Sienning). Troops from Hankow pushed down the railway about 22 miles by October 30.

17

1. Campaign in Shensi:

The Japanese claimed during October to be completing a "mopping up" campaign in Shensi and it appeared true that they were meeting with success in recapturing towns which they had taken in their two previous main drives

and

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17. Embassy's (Peiping) 620, October 13, 1 p.m.; 640, October 27, 1 p.m.



- 18 -

and subsequently given up because of the difficulties of maintaining lines of communications and supplies. They claimed in the middle of the month to be in occupation of Wutaihsien, Wutai town, and the hill of that name which reputedly was a headquarters of 8th Route Army forces which the Japanese spokesman at Peiping said had been driven away. Information received at the end of the month, however, indicated that 8th Route Army units were still operating in the Wutaihsien area and on part of the mountain itself, that there had been over 100 engagements and that the Japanese had suffered heavy losses.

In south Shensi Japanese forces were not able to effect their plans announced two months previously of crossing the Yellow River and commencing a drive on Sian, Shensi, to cut the Chinese channel of supply through Sinkiang from Soviet Russia. It was expected that increased efforts to cross the river and move on Sian would shortly be undertaken.

a. Aerial warfare:

Aerial warfare was continued in October much as in September and August, with little activity by the Chinese air force. Japanese planes raided Chungking October 4 for the first time, dropping bombs on the military airfield.

18

n. Guerrilla operations:

Operations of Chinese guerrillas in Japanese-occupied areas were continued in October along the lines of those of previous months. Japanese forces

in

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16. Embassy's (Peiping) 614, October 10, 12 noon;  
634, November 2, 3 p.m.

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By Nathan D. Auerbach NARS, Date 12-18-75

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in eastern Shantung reportedly made progress in clearing the area of guerrillas. In east Szechuan most of the irregular Chinese units withdrew to the west, and activity along the Peking-Tientsin Railway noticeably decreased.

C. THE CHINESE REGIMES; IS  
CHANGING POLITICAL ATTITUDES:

The second meeting of the United Council of the Republic of China was to have been held in Hankow October 26 but was postponed to November 2 at which time it was scheduled to take up various questions such as those relating to common problems concerning currency, customs, and communications, and to discuss means of inserting into the "Federation" the new regimes which were expected to be set up at Canton and Hankow.

Reports from apparently informed Chinese sources indicated that the question of the ultimate form of the anticipated new "Central Government" for the Japanese-occupied areas was still under discussion between interested Japanese political agents. According to several of these sources, General Tohmura, disappointed in one plan by the assassination September 20 of Mr. Tang Shao-yi, was maneuvering to effect substantial alterations in the Government framework with a view to eliminating several of the present leaders of the Peiping regime sponsored by General Aita, and the installation as president of the 66-year old National Ku Pei-fu, sometime (1942-3) leader of the former Chinese military clique. There was reason to believe that negotiations

NOTE

19. Embassy's (Peiping) 648, October 28, 2 p.m.; 644, October 29, 10 a.m.; 650, November 1, 9 a.m.

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Department of State letter, August 10, 1972  
By Milton D. O'Neil NARS, Date 12-8-75

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were actually going on between General Ioinara and Marshal Wu and the latter's friends, but whether Wu regarded Ioinara's proposals with favor was not established beyond statements to that effect by Chinese reputedly in a position to know. According to some of these Chinese, the general terms of the arrangement encompassed (1) on Wu's part a promise to give the Japanese full "economic cooperation" and cooperation against Communism and anti-Japanism, and (2) on the Japanese part, promises that (a) the projected "central government" would be free of Japanese advisers and other administrative restrictions and (b) Japanese troops would be withdrawn from China, except for certain garrisons, in four years' time.

Reports of these and other plans which have been under discussion were of interest chiefly as indicating the trend of political thinking by Japanese and Chinese politicians in North China, and as illustrating some phases of the difficulties which were confronting the Japanese in their efforts to set up and operate a respectable and acceptable government of any substance.

p. 20  
New Anhwei "Government":

The Chinese press announced that a new "provincial government" for Anhwei Province, functioning under the ranking "Reformed Government", was inaugurated October 10 at Pengpu, Anhwei.

p. 21  
q. Abolishment of the "Ta Tso Government" at Shanghai:

The Consulate General at Shanghai reported that

Mr. Yu

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20. Shanghai's 1342, October 17.  
21. Shanghai's 1350, October 11, 5 p.m.

7414  
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By Milton D. Quatgen NARS, Date 12-18-75

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Mr. Fu Siao-en, who prior to 1927 was an important Shanghai banker and businessman (onetime managing director of the China Merchants Steam Navigation Company) and a man of more standing and popularity than most Chinese who identified themselves with the new regimes, was appointed October 10 mayor of Greater Shanghai, and that the former and disreputable "Ta Tao Government" of that area was apparently abandoned.

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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. Foochow/130 FOR # 88

FROM Foochow (Ward) DATED Dec 5, 1938.  
TO \_\_\_\_\_ NAME \_\_\_\_\_ 1-1127 \*\*\*

REGARDING: Sino-Japanese situation: developments, in summary, for the  
month of Nov., 1938.

FRG.

793.94/ 14597

14597 -

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

B. Relations with other countries.

1. Japan.

a. The attack that did not materialize.

793.94  
(pg 1-6)

The morning of November 1 found Foochow in a state of panic and confusion following a night during which an order for the complete evacuation of the city had been issued; police had gone from door to door warning the inhabitants to be out before morning; the Government had withdrawn; all persons of any wealth or means had fled; and perhaps a hundred thousand people of the poor classes had left on foot or in rickshaws for the interior, carrying what they could load on their own backs with them. The city's only newspaper

had

-2-

had suspended publication. The telegraph office was not functioning, and the local branches of the four Chinese Government banks had all closed their doors. The staff of the local Customs, after listening to an affecting speech by their very British Commissioner, in which he had offered refuge to such of their wives and children who could not go, had scattered, and British women and children were concentrated in the early hours of the morning at Jardine's compound, preparatory to their evacuation.

All this had been occasioned by reports of a Japanese landing in force on the coast of this consular district near Futsing, where it was repeatedly reported that some thirty Japanese warships and four aircraft carriers had concentrated off the coast, and had sent ashore a considerable landing force.

But by the afternoon of November 1 it was clear that whatever may have happened on the coast, the report that a march on Foochow was under way was false, and by the next day the local newspaper had reappeared, and was asserting that the Japanese landing had probably been a foraging party. It was not until some days later that reports from American missionaries and other foreigners who had been through the area which had supposedly been attacked made it clear that the reports were absolutely without any foundation in fact. It is almost certain now that no concentration of Japanese vessels such as was described took place, and no landing of any kind occurred.

b.

-3-

b. Authorities continue to urge evacuation. While the wealthier residents of Foochow have in a large measure been able to find refuge in Hong Kong or the South Sea Islands or even in the interior of the Province, the great mass of the people who evacuated during the panic had slim resources and nowhere to go. The nearer villages and the interior cities could absorb only a small proportion of them, and when the attack on the city did not materialize, they had almost no choice but to return to the city.

The Government, most of whose members appeared convinced that some action by the Japanese against Foochow was imminent, was sharply opposed to this tendency of the populace to move back to Foochow. On November 4 the local newspaper displayed prominently a notification which had been issued the preceding day by General Chao Nan, the Chief of the General Staff of the Fukien Pacification Headquarters, in which he stated that it was foolish to believe that because the concentration of Japanese warships off Futsing on October 31 (sic) had dispersed, nothing was going to happen in Foochow; that the capture of the city had long been contemplated by the Japanese; that the situation was becoming more rather than less grave; that Japanese air-raids were to be expected shortly; and that as many of the populace as could do so should scatter as far as possible into the interior rather than remain in the city or in the villages nearby.

Other



-4-

Other ranking officials, including Ch'en Chao-ying, appeared to be lending the full weight of their positions and authority to this propaganda for the evacuation of the city, and orders were subsequently issued to minor precinct officials in Foochow to discover, by a house-to-house canvass, how many of the people would be willing to leave the city, and to afford them transportation and other facilities if they would go, while at the same time the magistrates of interior districts in northern Fukien were ordered to prepare refugee camps and rest houses and to take other necessary measures in preparation for refugees moving into the interior.

However, the course of events throughout the rest of the month tended to belie the fears of local officialdom that Japanese action in this area was imminent, and with the continuation of peaceful conditions here the tension again gradually relaxed, and with it the efforts to evacuate the city.

c. Foochow to be defended? Even in the midst of the sharp apprehension felt here in the first week of November statements appeared from time to time in the local press asserting the determination of the military to defend Foochow, and Ch'en Chao-ying, never far from the center of the local stage, had begun to assert that, far from giving up resistance to the Japanese, the Chinese troops would soon take the offensive. But in a long statement, given in full in Foochow's vernacular newspapers on November 14,

and

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and in which, inter alia, he again urged the evacuation of Foochow, Ch'en stated that the coast lines and river valleys of China could not be defended against the Japanese, and, specifically, that the coastal districts of Fukien could not expect to escape attack; that it was the strategy of the Chinese to draw the Japanese into the interior away from the coast; but that this did not mean giving up resistance. The implications of these statements for Foochow appeared obvious, and, even if they had not been publicly made, the pellmell withdrawal on the night of October 31-November 1 of Government officials and of most of the populace would seem in itself to be the clearest indication that little or no defence of Foochow itself would be attempted were the city to be attacked by Japanese.

d. Draft laws unrelaxed. However this city might fare were it attacked, the areas surrounding it continued during November to supply their full quota of conscripts to the National Army, and the draft regulations were again further tightened with the issuance of regulations governing the enlistment of "over-age" students.

e. Traitors shot. While rumors of the activities of local representatives of the puppet regimes and of spies in Japanese employ continued to circulate here, a report appeared in the local press recounting the execution on November 4 at Lienkong (連江) of two Chinese traitors who were said to

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have confessed that they were members of the Japanese secret service operating in northern Fukien.

f. Reports of Formosan Independence Party. An interesting although probably not at this stage particularly significant development during the month was that revealed by reports, prominently displayed in the local press, of the progress through northern Fukien during the month of a group of Formosans, who had apparently made their way into the Province from the interior of the country, and who claimed to represent the Formosan Independence Party, which they allege is active in Formosa, where Japanese rule has, they claim, recently been disturbed by a series of revolutionary acts on the part of the members of the party. They were reported to have issued an open message to the Chinese, urging them not to give up hope for an eventual victory over Japan even though Hankow had fallen.

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DOCUMENT FILE

NOTE

SEE 893.00 P.R. Tsinan/111 FOR # 9 to Embassy

FROM Tsinan (Hawthorne) DATED Dec 7, 1938.  
TO NAME I-1127 \*\*\*

REGARDING: Sino-Japanese situation: developments, in summary, for month of  
Nov., 1938.

FRG.

793.94 / 14598

14598

1. Japan:

a. Japanese drive against guerrillas:

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Because of the propaganda disseminated by both the Japanese and the Chinese and since information from foreign observers is usually colored by their own sympathies, it is extremely difficult to report on military developments with any degree of accuracy. Nevertheless, it appears certain that a concerted drive against guerrillas north of the Yellow River in Shantung was carried out by the Japanese army in November, resulting in the capture of several important towns, including Lintsing (臨清)<sup>1</sup> and Tungchangfu (東昌府) on the Grand Canal in western Shantung. It is reliably reported<sup>2</sup> that General Fan Chu-hsien (范築先) was killed in the defense of the last named place and that the Chinese garrison estimated at from 2,000 to 3,000 men was practically annihilated.

However, in most cases the guerrillas simply withdrew without risking an engagement with the Japanese, and will return to the same towns and villages as soon as the Japanese depart. To facilitate these tactics, the guerrillas are reported to have demolished the walls of many towns in northern Shantung. The walls have proven an ineffective defense where modern artillery is employed and often guerrilla bands have been trapped within when surrounded by Japanese attackers. Furthermore, once a

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1. See despatch no. 3, November 25, 1938.  
2. See despatch no. 8, December 6, 1938.

walled

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walled city is captured by the Japanese it can be easily held by a small garrison with modern arms.

According to a local Japanese official, the Japanese do not plan to use a large military force in the "pacification" of this Province.<sup>1</sup> It would therefore not appear practicable for the Japanese to garrison every town and hamlet in Shantung, and their frequent announcements of the "capture" of towns and villages in many cases may be taken to mean only temporary occupation.

b. Guerrilla activities ineffective:

On the other hand, guerrilla activities in this province appear to constitute more of a scourge to the country side than a military threat to the Japanese<sup>2</sup> who, despite frequent minor damages to railways, are maintaining railway communications and gradually extending the influence of the Peiping defacto government in this province, utilizing for that purpose a comparatively small military force considering the reputed hostility toward Japan of Shantung's 40 million people.

c. Japanese employ mercenaries:

While Japanese reports that some 11,000 "bandits" joined their ranks in November are doubtless exaggerated, the Japanese are known to be employing an increasing number of Chinese mercenaries.

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

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Swatow/132 FOR # 29

FROM Swatow ( Young ) DATED Dec 8, 1938.  
TO NAME 1-1127 ...

REGARDING: Sino-Japanese situation: developments for the month of Nov., 1938.

FRG.

793.94 / 14599

14599-

(b) Relations with Japan.

793.94  
pg 2-3

Almost daily throughout the month of November, Japanese airplanes visited areas within this consular district their objectives probably being the various points of concentration of Chinese armed forces placed to withstand the expected advance of the Japanese military forces from the Salchow-Siao Bay district along the highway to the eastward and on to Swatow and other points in Eastern Kwangtung. While the principal object of their flights appeared to be reconnaissance as far as this consular district was concerned, there were several instances reported in which a number of bombs had been released and machine-gun fire resorted to, but the number of casualties and the amount of property damage caused was small. The city of Swatow was evidently on the path of most of the planes as the air alarm siren was more active during November than ever before, but in most cases the planes could not be sighted and no bombs dropped.

The

-3-

The shelter of Namoa Island was sought a few times by Japanese naval vessels, but no attempts were made to effect a landing nor was the presence of these vessels near the entrance to Swatow Harbor interpreted as a prelude to occupation of the city. The belief remains that the occupation of Swatow will be attempted by the Japanese when such action harmonizes with their plans but that for the present the Japanese forces are sufficiently occupied in other areas to make their arrival in this locality unlikely.



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

5344

### TELEGRAM RECEIVED

EDA

A portion of this tele- HANKOW VIA N.R.,  
gram must be closely  
paraphrased before being  
communicated to anyone (BR) FROM Dated January 11, 1939

Received 7:17 p.m.

Secretary of State

Washington

*paraphrase*  
COPIES SENT TO  
O.N.I. AND M.I.D.  
*in confidence*

Division of  
FAR EASTERN AFFAIRS  
JAN 12 1939  
Department of State

7, January 11, 10 a.m. (GRAY)

Vice Consul Davies observed the following January

2 through 9 on trip from Nanking to Kiukiang by  
Japanese army transport and Kiukiang to Hankow by  
Japanese army hospital ship:

One. No precautions taken concerning possibility  
alleged mines in river.

Two. No evidence guerrillas nor concern on  
the part of Japanese shipping lest there be Chinese  
attack in daylight. Vessels anchored at night at  
towns with Japanese garrisons.

Three. Japanese consumers goods on sale in  
Anking and Kiukiang in Japanese shops; only other  
merchandise simplest Chinese necessities sold from  
wayside stands or very small shops.

Four. Anking and Kiukiang thoroughly pillaged  
and show considerable evidence of post hostilities  
decreasing. Most of Chinese population not returning.  
Countryside, excepting near large towns, likewise gave  
impression

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EDA - 2 - #7, January 11, 10 a.m. from Hankow

impression of being nearly deserted.

Five. Transport took on Kiangsi coal at Kiukiang, labor performed by Chinese coolies paid thirty sen military notes a day. Shihweiyao port for Tayeh iron mines appeared active. Effect of Chinese demolition there more apparent on offices and residences than on large conveyor cranes and other visible machinery (END GRAY).

Six. Despite presence at Kiukiang of a Nishin Kissen Kaisha merchant vessel (leased from Osaka Shosen Kaisha) bound for Hankow and request to be transferred thereto, Japanese Consul and army transport authorities insisted that Davies transship to an army hospital ship. As on the transport no passage money would be accepted, only cost of meals.

Seven. Hospital ship conspicuously displayed Red Cross yet carried several hundred active troops and their arms.

Repeated to Chungking, Peiping, Shanghai.

JOSSELYN

WWC:RR

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

Confidential

PARAPHRASE

A telegram (No. 7) of January 11, 1939, from the American Consul General at Hankow reads substantially as follows:

On a trip from January 2 through January 9 from Nanking to Kiukiang by Japanese army transport and from Kiukiang to Hankow by a Japanese army hospital ship, Vice Consul Davies observed the following:

No precautions taken concerning possibility alleged mines in river.

No evidence guerrillas nor concern on the part of Japanese shipping lest there be Chinese attack in daylight. Vessels anchored at night at towns with Japanese garrisons.

Japanese consumers goods on sale in Anking and Kiukiang in Japanese shops; only other merchandise simplest Chinese necessities sold from wayside stands or very small shops.

Anking and Kiukiang thoroughly pillaged and show considerable evidence of post hostilities decreasing. Most of Chinese population not returning. Countryside, excepting near large towns, likewise gave impression of being nearly deserted.

Transport took on Kiangsi coal at Kiukiang, labor performed by Chinese coolies paid thirty sen military notes a day. Shihweiyao port for Tayeh iron mines appeared

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

-2-

peared active. Effect of Chinese demolition there more apparent on offices and residences than on large conveyor cranes and other visible machinery.

There was a Nishin Kissen Kaisha merchant ship at Kiukiang. This ship, which was leased from Osaka Shosen Kaisha, was bound for Hankow. Although Vice Consul Davies asked that he be permitted to transfer to this merchant ship, the authorities of the Japanese army transport service and the Japanese Consul insisted that he transfer to an army hospital ship. This hospital ship had aboard several hundred active soldiers and their arms although it displayed the red cross in a conspicuous position. Vice Consul Davies was allowed to pay only the cost of his meals and no passage money would be accepted.

793.94/14600

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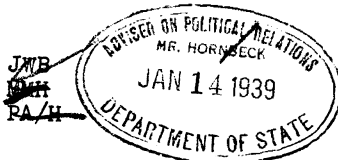
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 Department of State letter, August 10, 1972  
 By Milton D. Gustafson NARS, Date 12-18-75

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

January 13, 1939



Colombo's despatch no. 106 of December 17, 1938 reports statements made by Mr. T. Shiratori, Japanese Ambassador to Italy, as he passed through Colombo. The more interesting statements were that the hostilities in China are a crusade, that Japan's aim is to reconstruct the entire Far East, that he felt "there was enough suffering undergone by the Indian peoples under British rule", that "their fate cannot possibly be worse if they came under Japanese influence", that, if Japan took a deeper interest in Ceylon, the people would have much cause for satisfaction.

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

Air mail to London.

NO.106

AMERICAN CONSULATE

Colombo, Ceylon, December 17, 1938.

AIR MAIL

ONIMID

SUBJECT: Statement on Japanese Aims by Japanese Ambassador to Italy.

1-1055

COPIES SENT TO  
ONL AND MLD

Division of  
FEB EASTERN AFFAIRS  
JAN 12 1939  
Department of State

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON  
JAN 14 1939  
DEPARTMENT OF STATE

RECEIVED  
DEPARTMENT OF STATE  
JAN 12 1939

I have the honor to enclose herewith a copy of a news article which appeared in the Ceylon Daily News of December 14, 1938, recording an interview granted by Mr. T. Shiratori, Japanese Ambassador to the Quirinal, to a reporter of that paper. Mr. Shiratori not only makes some interesting remarks on Japanese aims in China, but emphasizes the suffering undergone in India and Ceylon by Indian people, stating "their fate cannot be worse if they came under Japanese rule". The Ambassador adds: "The same would apply to Ceylon, for, if Japan took a deeper interest in the welfare of this Island, you will, I am certain, have much cause for satisfaction".

The Consulate has no way of evaluating Mr. Shiratori's remarks in so far as they apply to the Far East. As to his reference to conditions in India and Ceylon, it can be emphasized that the methods today followed

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

-2-

followed by Germany, Italy and Japan in international affairs are realized throughout Ceylon and heartily disliked. While such interviews are not likely to penetrate very far in Ceylonese circles, such a statement can have no influence. Ceylon has known Indian (Tamil), Portuguese, Dutch, and English masters, and is not sympathetic to any power just starting on the imperial road leading to foreign conquests, for it knows what it means to be conquered. As a matter of fact, if Mr. Shiratori really voices Japanese policy towards India and Ceylon, which is to be doubted, such statements as his will place valuable weapons in British hands, should the present imperial masters care to use them for their own purposes.

There has been no comment in the press on this interview. The writer of this despatch is on leave outside of Colombo, but the statement will nevertheless be hazarded that the small official world on this island will not take the significance of Mr. Shiratori's interview. Perhaps Whitehall will not overlook what a high official of the Japanese Government has said when passing through a British colony.

The Consulate has investigated the authority of this interview, particularly as the Manager of Reuters and the Editor of the Times of Ceylon seemed doubtful of its authenticity and did not repeat its contents by cable despatch. The Editor of the Ceylon Daily News has assured the signer of this despatch that the interview with Mr. Shiratori is both authentic and accurate.

The

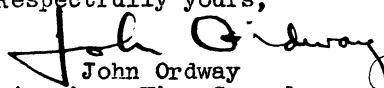
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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

-3-

The possibility nevertheless exists that the Japanese Ambassador to Rome had no idea that he would be quoted when he made such statements.

Respectfully yours,

  
John Ordway  
American Vice Consul

✓  
Enclosure:

Copy of news article.

File no. 800/GAA/ef.

Distribution:

Copy to American Embassy, Rome.  
" " " London.  
" " " Tokio.  
" Consulate General, Calcutta.



143

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

Enclosure to Despatch No.106 dated December 17, 1938,  
from John Ordway, American Vice Consul, at Colombo,  
Ceylon, on the subject: Statement on Japanese Aims by  
Japanese Ambassador to Italy.

SOURCE: Ceylon Daily News,  
December 14, 1938,  
Colombo.

#### JAPAN'S AIMS IN THE FAR EAST

##### Strange Reference to India and Ceylon

"I cannot see why the Indian people as well as those of Ceylon should condemn our policy in China. Our sole object is to change the Chinese into a better and a more enlightened race, and despite the opposition we are encountering the Chinese will eventually find that they prosper under our rule," said Mr. T. Shiratori, the new Japanese Ambassador to Italy, who passed through Colombo yesterday on the Hakozi Maru on his way to Europe.

##### "SPIRITUAL CRUSADE"

Referring to the Far Eastern conflict, Mr. Shiratori told the "Daily News" Shipping Correspondent that the Japanese were not waging a war of revenge or hate, but a "crusade" that was entirely spiritual, because the goal aimed at was the general upliftment of the Chinese race.

"Japan is bound to win in the end. She must, because we fear nothing. Our aim is the reconstruction of the entire Far East according to our plan, and though it may take another decade to attain this object, we will accomplish it," he declared.

"Then there will be a new order of things which will be to the satisfaction of all nations that have any interests in China."

##### IF JAPAN RULED CEYLON

Mr. Shiratori went on to speak of conditions in India and Ceylon under British rule and said that he felt there was enough suffering undergone by the Indian peoples under British rule.

"To my mind," he added, "their fate cannot possibly be worse if they came under Japanese influence. The same would apply to Ceylon, for, if Japan took a deeper interest in the welfare of this Island, you will, I am certain, have much cause for satisfaction."

Referring to the Russian "menace", as he termed it, Mr. Shiratori stated that that was a force to reckon with, but a powerful and united Japan was strong enough to hold her own against any Power in the world.

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

*Copy in paraphrase  
sent to Treasury  
as confidential  
New*

**TELEGRAM RECEIVED**

REB

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

FROM  
PEIPING VIA N.R.

Dated January 12, 1939

Rec'd 3:30 p. m.

Secretary of State,  
Washington.

*of Paraphrase*  
COPIES SENT TO  
O.N.I. AND M.I.D.  
*in confidence*  
DT

Division of  
FAR EASTERN AFFAIRS  
JAN 13 1939  
*740*  
*Ch*  
*WAA*

23, January 12, noon.

(GRAY) One. Railway service between Peiping and

Tientsin was interrupted last evening and has not yet been  
resumed. Reportedly 500 Chinese mounted guerrillas appeared  
just after dark near Tsaolingchwang midway between Langfang  
and Laofa and detached several sections of tracks. This  
information was telephoned to Peiping by the station master  
at that place and Japanese troops were sent to Tsaolingchwang  
where according to some travellers a skirmish occurred.

(END GRAY)

Two. The local Japanese military authorities are said  
to be much concerned over this incident coming so close  
after the Poletti kidnapping (Embassy's 19, January 11,  
1 p. m.) because it appears to reflect on their ability to  
maintain order in this vicinity.

Three. Repeated to Chungking, Tientsin, Tokyo.

LOCKHART

EMB  
ROW

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

CONFIDENTIAL

Confidential

PARAPHRASE

A telegram (No. 23) of January 12, 1939, from the American Embassy at Peiping reads substantially as follows:

Railway service between Peiping and Tientsin was interrupted on the evening of January 11 and has not yet been resumed. Reportedly 500 Chinese mounted guerrillas appeared just after dark near Tsaolingchwang midway between Langfang and Laofa and detached several sections of tracks. This information was telephoned to Peiping by the station master at that place and Japanese troops were sent to Tsaolingchwang where according to some travelers a skirmish occurred.

As this incident seems to discredit the ability of the Japanese military authorities in Peiping to keep order in the Peiping area, these authorities are said to be greatly disturbed over the affair coming so soon after the kidnapping on January 8 of Poletti, Italian Postal Commissioner at Peiping.

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

*in paraphrase*  
*Copy sent to* 5346  
*Heating as*  
*strictly Confidential*

**TELEGRAM RECEIVED**

REB

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

FROM

PEIPING VIA N.R.

Dated January 12, 1939

Rec'd 4:23 p.m.

793.94  
793.94

Secretary of State,  
Washington.

*of paraphrase*  
**COPIES SENT TO**  
**ONE AND A HALF**  
*in strict confidence*

*Division of*  
*Far Eastern Affairs*  
**JAN 13 1939**  
*Department of State*

25, January 12, (?) p. m.

One. Following is a summary of comments made to an  
officer of the Embassy by FUKUOKA, DOMEI correspondent from  
Tokyo who has been making a tour of occupied areas including  
Canton, Hankow, Shanghai, Peiping and who purports to have  
had numerous conversations with high Japanese military  
and civil officials at these places.

(GRAY) Two. The Yangtze will probably be opened soon  
to commercial navigation as far as Wuhu. The reason for  
its continued closure has not been a desire to monopolize  
all trade, which the Japanese know could not be accomplished,  
but to prevent foreign shipping and other firms from  
acquiring the bulk of the trade for themselves during a  
period when Japanese commercial vessels are commandeered  
for military purposes and are not available for purely com-  
mercial purposes. Even the reactionary Japanese military  
in the Yangtze regions have begun to realize that their  
present

793.94/14603

F/FG

5347

REB

2-#25, From Peiping, Jan.12,

present policy of excluding foreign trade is unprofitable; what Japan has done there was to "export" a large number of Japanese civilians to places such as Nanking and now finds that it must export food and clothing to keep them alive; this is not expanding Japanese trade and is not profitable. (END GRAY)

Three. General Kita is no longer strongly opposed to Doihara's plan for a "federal" government headed by Wu Pei Fu but the Japanese have come to realize that Wu is too old-fashioned to be of great use, his name means little to the people any more, and probably means nothing to the people in Central China. One reason why plans of this sort have not succeeded is because of disagreement among interested Japanese. There is too much "spot psychology" among Japanese military leaders in China; i.e. the commander in Peiping insists on going his own way and does not always take kindly to advice from Tokyo. This is true in Hankow, Canton and Shanghai and prevents adoption of policies originated in Tokyo where the military and civil officials have achieved a fair amount of unity of purpose any agreement as to ways and means.

Four.

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

5348

REB

3-#25, From Peiping, Jan. 12

Four. The restrictions against the British and French Concessions at Tientsin are evidence of this "spot psychology". They are much more an expression of the wishes of the local Japanese military than of the Government in Tokyo which has tried to be conciliatory with foreign powers and will undoubtedly continue as much as it can a conciliatory policy now that the Home Minister Suetsugu has been eliminated from the cabinet.

Five. If Wang Ching Wei's defection was "by connivance with Japanese" it would be most unwise for the Japanese to attempt to set him up as the head of a government in Nanking or elsewhere in the occupied areas. If Wang were to be of practical use in the cause of peace he should have been left in Chungking to influence his colleagues in the party and Government in that direction. In occupied territories he would be merely a traitor and useless. The best thing for him to do now is to go abroad for a while.

(GRAY) Six. Repeated to Chungking, Nanking, Shanghai. By mail to Tokyo.

LOCKHART

ROW

EMB

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

Confidential

STRICTLY CONFIDENTIAL

PARAPHRASE

A telegram (No. 25) of January 12, 1939, from the American Embassy at Peiping reads substantially as follows:

Fukuoka, correspondent from Tokyo of the Domei News Agency, has been making a tour of Peiping, Shanghai, Canton, Hankow and other occupied areas and he leaves the impression that he has had many conversations at these places with high-ranking Japanese civil and military authorities. A summary of comments which he made to an officer of the Embassy staff follows:

The wisest thing for Wang Ching-wei to do at the present time is to go abroad for a while. It would be very unwise for the Japanese to try to place him at the head of a government in Nanking or anywhere else in occupied territory if they connived at his defection. He should have been left in Chungking in order to influence his associates in the Government and party toward the cause of peace if he were to be of value in that cause. He would be only a traitor and of no use in the occupied areas.

Although General Doihara's project for a federal government with Wu Pei-fu at the head is opposed no longer to any great extent by General Kita, the Japanese now realize that Wu's name does not mean much any more to the people - probably nothing to the people in central

China

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

STRICTLY CONFIDENTIAL

-2-

China - and that he is too old-fashioned to be very useful. Disagreement among interested Japanese is one cause for the failure of plans of this kind. Too much spot psychology exists among Japanese military leaders in China. An example of this spot psychology is the restrictions against the French and British Concessions at Tientsin. The Government in Tokyo has tried to conciliate foreign powers and, with Home Minister Suetsugu out of the Cabinet, it will undoubtedly keep on with a conciliatory policy as much as possible. The restrictions against the Concessions at Tientsin represent the desires of the Japanese military there much more than they represent the wishes of the Tokyo Government. Other instances of spot psychology are that the commanders in Peiping, also in Shanghai, Hankow and Canton do not take kindly to advice from Tokyo and insist on following their own wishes. This situation prevents the adoption of policies originated in Tokyo where a fair amount of agreement as to ways and means and unity of purpose has been reached by the civil and military authorities.

The Yangtze will probably be opened soon to commercial navigation as far as Wuhu. The reason for its continued closure has not been a desire to monopolize all trade, which the Japanese know could not be accomplished, but to prevent foreign shipping and other firms from acquiring the bulk of the trade for themselves during a period



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

-3-

EXCLUDED FROM AUTOMATIC DOWNGRADING AND DECLASSIFICATION

period when Japanese commercial vessels are commandeered for military purposes and are not available for purely commercial purposes. Even the reactionary Japanese military in the Yangtze regions have begun to realize that their present policy of excluding foreign trade is unprofitable; what Japan has done there was to "export" a large number of Japanese civilians to places such as Nanking and now finds that it must export food and clothing to keep them alive; this is not expanding Japanese trade and is not profitable.

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 1-13-39

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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./152 FOR # 1820

FROM China (Lockhart) DATED Dec 8, 1938.  
TO NAME I-1127 ...

REGARDING: Sino-Japanese situation: developments, in summary, for the  
month of Nov., 1938.

FRG.

793.94/14604

14604

5. Japan:

a. The military situation:

793.94  
(pg 9-18)

Notwithstanding the tremendous military importance of the Japanese capture of Canton (October 21-22) and the Wuhan cities (October 26), these successes failed to solve for the Japanese a number of major military problems, and created new problems. In addition to the eventual need to consolidate their positions and the difficulties caused by widespread guerrilla activities, necessity of undertaking the following important operations faced the Japanese at the beginning of November: (a) occupation of the Canton-Hankow Railway; (b) liquidation of Chinese resistance on the Nanchang-Changsha front; (c) liquidation of some 30 Chinese divisions in the general area of Nanchang-Siaokan-Yingshan (the Japanese claimed that these divisions were trapped by the Japanese offensive against Hankow; some observers believed, however, that those south of the Yangtze had deliberately remained to conduct mobile warfare); (d) occupation of the Lunghai Railway west of Chengchow; (e) occupation of the remaining section of the Pinghan Railway; (f) capture of Sian and disruption of the Chinese channel

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

- 13 -

channel of supply from Soviet Russia through Sinkiang;  
 (g) advancing the Yangtze front to Ichang; (n) clearing  
 of the Pearl River delta and the Canton area; and (i)  
 advancing the southwestern front into Kwangsi.

8

b. Operations in the Canton area:

No decisive military operations were reported in  
 November in the Canton area where between 80,000 and  
 100,000 Japanese troops were reportedly operating. Japa-  
 nese forces moved early in the month westward along the  
 Canton-Samshui Railway, apparently in an effort to con-  
 solidate the Japanese position around Samshui whose  
 loss November 3 was admitted by the Chinese. (The Chi-  
 nese constructed a boom across the West River below  
 Kucnow to stop further Japanese advance.)

Japanese forces moving up the Canton-Hankow Rail-  
 way reportedly reached before the end of the month a  
 point 40 miles north of Canton. Another column attempting  
 to move northward along the highway from Tsengshing, in  
 order to cut the Canton-Hankow Railway below Yintar, met  
 Chinese troops (reported as making a counter-offensive)  
 near Tsungfa (about 40 miles north by east of Canton)  
 which the Chinese claimed to have captured and admitted  
 losing several times and which was in Japanese hands at  
 the end of November, with Chinese lines running north  
 of that city.

Japanese units proceeding south along the Canton-  
 Kowloon Railway reached about November 20 Sheklung  
 (captured October 19 by Japanese troops going north  
 from Pingwu); the Japanese took on November 27 Shumchun

22

8. Canton's December 4, 5 p.m.

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

- 11 -

on the Kowloon border; and claimed control at the end of the south of the entire border area and all of the railway.

c. Operations in the Hankow area:

The main Japanese forces continued their pursuit after the retreating Chinese until the third week in November when their advance practically ceased. Farthest Japanese progress south of the Yangtze was some 35 kilometers south of Yochow (captured November 12) on the Siang River in a drive toward Changsha (250 miles south of Hankow). North of the Yangtze they progressed to a line in excess of 100 kilometers west of and parallel to the Pinghan Railway. According to the Consul General at Hankow, the slackening of the Japanese advance appeared to be due to (a) shortage of troops and, as related thereto, (b) commitment of large bodies of troops to "mopping up" campaigns behind the lines.

d. Operations in the Nanchang area:

Following the Japanese capture October 27 of Tchen, their forces pushed south for about 12 miles to the Siu River and there either stopped their advance or were unable to proceed further. The Japanese and Chinese forces faced each other across the river during November but little activity other than occasional artillery duels was reported.

e. The Shensi campaign and projected drive on Sian:

There was in November little significant change in  
the

9. Hankow's December 2, 12 noon.
10. Embassy's (Peiping) 656, November 3, 12 noon; 685, November 13, 4 p.m.

- 12 -

the situation in Shansi and in respect to the projected Japanese drive on Sian to cut the channel of Chinese supplies from Soviet Russia through Sinkiang. The Japanese forces were in the middle of the month reportedly making renewed efforts to cross the Yellow River from south Shansi into north Honan. Japanese batteries at Fenglingtu, extreme south Shansi, were again shelling Tungkuan, Honan, across the Yellow River, and also nearby sections of the Lunghai Railway; and the Japanese air force was active in the general area (see page 18). The "mopping up" campaign in east central Shansi admittedly failed of completion in November and fighting between Japanese units and Chinese Communist forces in the Kutai area continued. Chinese sources stated that the Japanese losses in that region were very heavy and that the engagements there numbered more than 100.

11

f. Guerrilla activities:

In addition to the operations of the Chinese forces in Shansi, which were generally in the nature of guerrilla activities, Chinese irregulars continued their activities over widespread sections under nominal Japanese control. One foreign observer estimated that the total number of guerrillas operating in Japanese-occupied areas was about 1,000,000. In partial support of this estimate were statements of Japanese spokesmen that guerrillas in North China numbered 375,000 and those in the Nanking-Shanghai-Hangchow triangle 200,000, in addition to a large number in Shantung, Anhwei and Honan. Foreign travelers reported that guerrillas in central Hopei claimed that their

number

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11. Embassy's (Peiping) 691, November 23, 5 p.m.

- 12 -

number reached 200,000 throughout four or five loosely organized districts under civil administration headed by a provincial chairman of the National Government, and that about 20,000 guerrillas were in the western part of East Hopei. Nankung, headquarters of the Hopei guerrillas and the temporary provincial capital (under the National Government) was captured November 17 by Japanese units. The arsenal machinery, printing presses for banknotes, and other equipment were removed by the Chinese prior to the Japanese occupation.

12

g. Aerial warfare:

According to a vernacular newspaper of Hankow, which purported to quote a communique issued by the Japanese Military Intelligence Section at that place, Japanese bombing raids subsequent to the fall of Canton and Wuhan were carried out over ten western provinces at the following places: Tungsheng (Suiyuan); Yenai, Tungkwan, Sian, Hanchung, and Yulin (Shensi); Ninghsia (Ninghsia); Lanchow (Kansu); Siangyang, Kingmen, Kingchow, Ichang (Hupei); Chungking, Liangshan, Chengtu (Szechwan); Pingkiang, Changsha, Hengyang, Siangtan, Chuchow, Hengshan, Changteh, Yiyang, Mingsang, Chihkiang (Hunan); Kweiyang (Kweichow); Wuchow, Kweilin and Liuchow (Kwangsi); and Kunming (Yunnanfu, Yunnan).

There was some revival of activity during the month by the Chinese air force, but the results were not reported and are not believed to have been very effective.

h.

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12. Hankow's 91, December 6, 1 p.m.

- 14 -

13

h. Second meeting of the "United Council"; and other activities of puppet regimes:

The second meeting of the "United Council of the Republic of China", an organ composed of representatives of the Peiping "Provisional Government" and the Nanking "Reformed Government" and superimposed upon those regimes, met November 2-3 in Nanking. (The first meeting was held in Peiping upon the inauguration of the organ late in September). The meeting denounced General Chiang Kai-shek and Communism and advocated cooperation with Japan, and was followed November 6 by an "Anti-Communist National Salvation mass meeting",  
14  
organized and controlled by Japanese. A similar meeting  
15  
was held late in November in Peiping which was described in the Japanese-controlled vernacular press as part of a "countrywide national salvation movement condemning Communism". It advocated, inter alia, a confederate form of government for China and represented political activity on the part of General Kita and the Japanese clique sponsoring the "Provisional" and "Reformed" Governments.

16

1. Lack of progress toward a "federal government":

No substantial progress was made during November by interested Japanese and Chinese toward formation of a "federal government" for the occupied areas. Continuing failure in this respect was reportedly due to the

inability

13. Embassy's (Peiping) 642, October 28, 2 p.m.; 644, October 29, 2 p.m.; 650, November 1, 9 a.m.; Embassy's (Nanking) 178, November 2, 2 p.m.; 179, November 4, 1 p.m.; Embassy's (Peiping) 661, November 5, 4 p.m.  
14. Embassy's (Nanking) 180, November 7, 2 p.m.  
15. Embassy's (Peiping) 684, November 17, 3 p.m. and 687, November 21, 3 p.m.  
16. Embassy's (Peiping) 650, November 1, 9 a.m.; 661, November 5, 4 p.m.; 684, November 17, 3 p.m.; 687, November 21, 3 p.m.



- 15 -

inability of the principal Japanese factions to work out a compromise or the inability of one faction to obtain sufficient authority from Tokyo to enable it to override its political adversaries. Generals Kita and Doihara, representing opposing schools of thought, went to Tokyo during the month as did the head of the "Reformed Government" but any definitive results achieved were not apparent. Some observers believed that the situation was complicated by (a) the replacement at the end of November of General Terauchi as Commander of the North China Japanese forces by General Sugiyama, former War Minister, and (b) a disrupting interest in the question of the projected new government by officers of the Japanese Navy.

j. Replacement of Terauchi by Sugiyama; projected reorganization of the Army Special Service Section:

General Terauchi, commander of the Japanese forces in North China, was replaced near the close of November by General Sugiyama, former Japanese Minister of War. The reasons for this change and the effect it might have upon the policy of the Japanese Army in North China were not known. British sources expressed the opinion that General Sugiyama would evidence a more aggressive attitude in the prosecution of Japanese plans in the area under his jurisdiction. Some observers were of the opinion that he agreed with General Terauchi in respect to the plans of General Kita for the continuance in office of Mr. Wang Keh-min and other functionaries of the "Provisional Government" and was opposed to General Doihara's plans for the political emergence of

Marshal

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17. Embassy's (Peiping) 695, November 25, 4 p.m.

- 16 -

Marshal Wu Pei-fu as head of the projected federal government for the occupied territories. Some knowledgeable sources stated that various questions were awaiting definition until the new East Asia Bureau organized at Tokyo to control China affairs should begin to function, and that the Special Service Section of the Japanese Army in the north (of which General Kita has been the recent chief) would be reorganized into a liaison department of the East Asia Bureau and would be responsible to the Japanese Premier rather than the North China commander.

k. Propaganda against westerners:

Reports from various sections of the occupied territories indicated that the Japanese were increasing their propaganda against the Governments and nationals of Occidental countries. In some places, anti-Chiang Kai-shek and anti-Communist posters were employed as media to accuse foreign governments of aiding Chiang Kai-shek in detriment of the interests of China and to advocate dependence upon Japan rather than Great Britain, France and the United States. Some posters called America the "second enemy" of the Chinese people.

Pronouncements by puppet Chinese officials following the Japanese reply of November 18 to the American protest of October 6 against Japanese interference with American interests in China (see pages 1-4), appeared increasingly to be formulated along the lines of Japanese press statements in regard to the "inapplicability of old principles" to the "new order in Asia" and to

support

- 17 -

support the theory that foreign rights and interests would prosper only if the western countries cooperated with the puppet regimes.

1. Lack of progress in major schemes for economic exploitation:

Although the press reported that the long projected North China Development Corporation and its sister organization, the Central China Development (or Rehabilitation) Company, were formally inaugurated November 7 in Tokyo, these organizations did not, as far as known, begin actively to function in China. Presumably the delay was due in part to lack of finances to carry out the huge programs of the companies and in part to questions of policy pending active functioning of the new East Asia Bureau to control China affairs.

18

2. Projected import embargo:

British sources reported that the "Provisional Government" was contemplating an import embargo on nearly 100 items of the tariff comprising generally articles which might be classed as luxuries or which were used chiefly by Occidentals. According to the Consulate General at Tientsin the projected list included the following American imports valued roughly at U.S.\$750,000 per annum: tobacco products of all kinds including leaf tobacco; leathers and leather goods except belting and furs; toilet articles and preparations; cinematographic and photographic supplies; sporting goods; certain textiles and wearing apparel; and all canned goods. Whether the proposed embargo would apply to Japanese imports

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18. Embassy's (Peiping) 682, November 16, 4 p.m.;  
Tientsin's 216, November 16, 5 p.m.

- 18 -

imports was not known.

19

n. Projected control of cotton exports:

A Tientsin vernacular newspaper reported November 25 that the Ministry of Industry of the Peiping "Provisional Government" would, by arrangement with the Special Service Section of the Japanese Army, shortly issue orders looking to control of cotton exports from North China.

20

o. Japanese population of Chinese cities:

A Japanese spokesman at Peiping announced early in November that the Japanese population of North China exceeded 110,000 and that the number of Japanese residents at various cities was as follows: Tientsin, 33,000; Peiping, 29,000; Tsingtao, 19,500; Kalgan, 9,200; Tsinan, 7,700 including Koreans and Formosans; Shihchia-chuang, 6,400; Taiyuan, 3,900; Hsuehchow, Shantung, 1,700; and Linfen, Shensi, 320. He stated that "hotelkeepers, restaurateurs and those engaged in entertainment industries" greatly outnumbered Japanese in other occupations. (In Peiping alone, according to other Japanese sources, there were some 2,000 Japanese restaurants, geisha houses and brothels.) According to the Japanese Consul General at Nanking, Japanese civilians in that city numbered on November 1 three thousand, which was double the number on July 21.

745

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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/130 FOR #-

FROM Canton ( Myers ) DATED Dec 10, 1938  
TO NAME 1-1127 \*\*\*

REGARDING: Sino-Japanese situation: developments, in summary, for month  
of Nov., 1938.

FRG.

793.94 / 14605

14605

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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.**

**(a) Japanese Operations along Canton-Samshui Railway:**

74394  
 58  
 Pg  
 Early in November relatively heavy Japanese troop movements were made westward along Canton-Samshui Railway\*, evidently in an effort to consolidate the Japanese position around Samshui (三水), the loss of which the Chinese admitted on November 3rd. The Chinese quickly began building a barrier across the West River below Muchow (梧州) to protect that city against a further advance by Japanese forces.

**(b) Japanese Advance along Canton-Kowloon Railway:**

On November 20 Japanese units proceeding eastward along the Canton-Kowloon line were said to have reached Sheklung (石龍), where the railway crosses the East River. By November 27 Japanese units were in possession of Shum Chun (深圳), the station on the Kwangtung-Hong Kong border. At the end of the month the Japanese claimed control of the entire border area and all of the railway, and the main Japanese forces in the region were said to be withdrawing in the direction of Canton.

**(c) Japanese Northward Advance:**

Before the end of November Japanese forces moving up the Canton-Hankow railway were reported to have proceeded fifty miles north of Canton. Another column appeared to be attempting to move northward along the highway from Tseng Shing (增城) in order to cut the Canton-Hankow line just below Yingtak (英德), junction point of the railway and the North River. Evidently this column met the Chinese troops, alleged to be engaged in a counter-offensive on Canton, near Tsung Fa (從化). During the month the Chinese claimed to have captured and admitted losing

this

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\*Telegram of November 4, 4 p.m.

- 6 -

this city several times. At the end of November the Chinese admitted that a Japanese offensive carried out by mechanized units and airplanes had forced them to abandon Tsung Fa and to re-form their lines further to the north.

(d) Other Japanese Military Operations:

During November Japanese air raids were carried out against various cities in Kwangtung and Kwangsi, against lines of communication, and against Chinese troops. Between 100 and 150 planes were, at the end of the month, believed to be based at Canton's White Cloud Airdrome. Mopping up operations during November were directed against bodies of troops scattered in the area around Canton and between Canton and the Hong Kong border. Rifle and machinegun fire were audible in Canton throughout the month, and the heavier explosions of bombs and artillery were heard intermittently. Japanese planes were, moreover, observed in the act of bombing villages in the outskirts of the city.

(e) Size and Command of Japanese Forces in Kwangtung:

Command of the Japanese forces in South China was given shortly after the middle of November to Lieutenant-General Ando, formerly Military Attaché in London. He replaced Lieutenant-General Furusho, who was reportedly ill.\*

According to estimates, the Japanese forces engaged in the operations in Kwangtung at the end of November totalled 100,000 men. Chinese sources stated that an additional 50,000 men were being held in reserve in Formosa. The extent of Japanese casualties so far is unknown, although as many as 2,000 boxes, believed to contain the ashes of Japanese soldiers, have been counted at one time piled up awaiting shipment from Canton.

(f) Establishment

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\*Telegram of November 22, 6 p.m.

- 7 -

(f) Establishment under Japanese Auspices of Peace Maintenance Commissions in Canton and Waichow:

On November 27 a Peace Maintenance Commission Preparatory Committee of five men met in Canton. Japanese army and navy officers were present, and the five-barred flag was hoisted. Chairman of the Committee is General Lü Ch'un-yung (呂春榮), a retired militarist, who held various posts in Kwangtung and Kwangsi prior to 1934, and was one of the principal subordinates of Mo Yung-hsin (莫榮新) when he and his Kwangsi clique controlled Kwangtung. Secretary of the Committee is one Ch'en Shao-t'ang (陳紹唐), reported to have formerly been a petty official. The three other members are Shang Yen-chun (商衍鎰), a local lawyer, Cho Ch'iu (卓球), a returned student from Japan, and Liao Ming (廖銘), who is said to be an American returned student engaged in business in Canton. It is expected that this Preparatory Committee will be superseded by a fully organized Peace Maintenance Commission as soon as satisfactory personnel are available. The Waichow Commission was, according to Domei reports, inaugurated on November 1.

(g) Establishment in Canton of Japanese Controlled News Organs:

During the middle of November the Japanese army began the issuance of daily mimeographed news sheets in English and Chinese. Both the English and Chinese editions are composed of statements released by the Army and of Domei news reports, but the selection of items in the two is not the same. Much of the news is propaganda and of little value.

During the month the Japanese began the publication at irregular intervals of a full-sized Chinese newspaper called the Kwangtung Shun Po (廣東迅報). The paper is distributed free of charge, and is propagandist in character.

(h) Reopening



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

- 8 -

(h) Reopening of Japanese Consulate General in Canton.

702.9493  
On November 1 Mr. Katsuo Okazaki, the Japanese Consul General assigned to Canton, reopened the Japanese consular office on Shameen. This office he left in the hands of a subordinate, however. His main office is in the Chinese city.

In an interview with the local head of missionary organization Mr. Okazaki is reported to have stated that he feels that Asia should be for the Asiatics, and that in relation to missionary relief work the Chinese had depended on westerners too long and it was time for them to begin to depend upon the Japanese.

746

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

*Copy sent to  
 Treasury as  
 confidential  
 new Gray*

**TELEGRAM RECEIVED**

CA

PEIPING VIA N R

FROM

Dated January 13, 1939

Rec'd 7:15 p.m.

Secretary of State  
 Washington

COPIES SENT TO  
 ONE AND ONLY  
 DT

26, January 13, 9 a.m.

Embassy's 23, January 12, noon.

Division *file*  
 FAR EASTERN  
 JAN 14 1939  
 Department of *WAA*

*793.94  
 note  
 893.77*

One. A makeshift train service was resumed between Peiping and Tientsin yesterday afternoon and the Mukden express left this morning on schedule. Foreign travelers from Tientsin arriving last evening reported that they had to change trains near Tsaolingohwang (about 33 miles west of Tientsin) and walked some distance over destroyed tracks. An overturned and badly damaged freight train there tended to confirm reports that the guerrillas used explosives. Gunfire was still audible in the distance.

Two. That this unusually bold and successful attack near Tientsin upon a main line on the way to the seat of the "provisional government" has given the Japanese military concern, is indicated by their apparent suppression in the Japanese controlled press (vernacular and one English language daily) of any news concerning the attack on the railway.

Four. Repeated to Chungking, Tientsin, By mail Tokyo.

NPL EMB

LOCKHART

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

DEPARTMENT OF STATE

CONFIDENTIAL Memorandum of Conversation

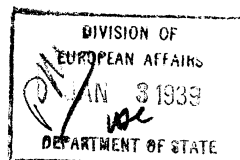
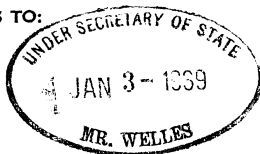
DIVISION OF FAR EASTERN AFFAIRS

DATE: December 30, 1938.

SUBJECT: The Sino-Japanese conflict and the forthcoming meeting of the Council of the League of Nations.

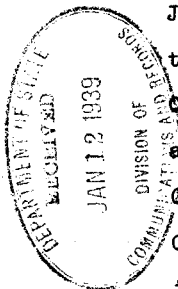
PARTICIPANTS: Dr. Chang-Lok Chen, Counselor of the Chinese Embassy,  
Mr. Tswen-ling Tsui, First Secretary of the Chinese Embassy,  
Mr. Hamilton

COPIES TO:



793.94/14607

Dr. Chen called at his request. He was accompanied by Mr. Tsui. Dr. Chen said that the Chinese Embassy had received instructions from the Chinese Ministry of Foreign Affairs directing the Embassy to approach the Department in regard to the forthcoming meeting of the Council of the League of Nations on January 16, to state that the Sino-Japanese conflict would come up for consideration again at this meeting of the League Council, to point out that the Chinese Government realized that the United States was not a member of the League but that in the opinion of the Chinese Government the governments members of the League Council naturally looked to the United States for an indication of attitude in regard to a matter of this character,



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F/FG 14607

146

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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 -

character, and to express the hope of the Chinese Government that this Government would by such means and in such way as might be practicable and appropriate take steps, either directly or indirectly, toward causing the governments represented on the League Council to take more definite action than had hitherto been taken in the way of assisting China and of checkmating Japan.

I referred to the fact that Mr. Tsui had been in to see me a number of months ago on this same subject. I said that as the Chinese Government realized the United States was not a member of the League. I said also that the attitude of this Government and the principles of policy in which this Government believes had been made clear to the American people and to the world in the published statements and addresses of the Secretary of State and of the President. I said that I would of course make record of Dr. Chen's approach under instruction from his Government and refer the matter to higher officers of the Department.

Dr. Chen, in closing the interview, said that his Government wished to lay this matter before us and that he realized that decision as to whether any action by this Government along the line indicated was practicable and appropriate, and, if so, in what way this Government would bring its influence to bear, was a matter for decision by this Government.

T.M.H. ✓

FE:MMH:EJL

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

~~TOP~~  
~~SECRET~~  
~~LES~~  
~~WAAA~~

Tsinan's despatch no.  
 12 reports, as an ex-  
 ample of the temporary  
 character of many Japa-  
 nese "occupations," that  
 Japanese troops left  
 Lintung after staying  
 but 3 days.

ASL

7464

~~SECRET~~

Division of  
EASTERN AFFAIRS  
JAN 17 1939  
Department of State

Tainan, China, December 12, 1938.

JAN 17 1939  
Department of State

Department of State

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Hawthorne ONI-MID

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

- 2 -

the Chinese military, and we have a number of patients (lao pai hsing) as the result of those engagements. Since the Japanese left, the City and the countryside are quiet and conditions are returning slowly to normal."

Respectfully yours,

Carl O. Hawthorne,  
 American Vice Consul.

800  
 COH/KCC

Original to Embassy, Peiping.  
 5 copies to Department,  
 Copy to Embassy, Chungking.

A true copy of  
 the signed original  
 [Signature]

X

20741

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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 25, 1939.

~~JKE WAA~~  
~~JCV BCM~~  
~~LES JWB LHM~~

Tsinan's despatch No. 13 reports that the Japanese have been consolidating their economic hold at Tsinan by increasing their civilian population to 8,000 (from 2,000 before the hostilities); building macadamized roads and an airfield; acquiring real estate, modern buildings, public utilities and Chinese industrial enterprises; and establishing organs for cotton control, lumber and inland navigation. They have been proficient in avoiding or postponing payment for anything.

The despatch will bear reading if you have time.

FE: RSC



1468

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

No. 13

OFFICE OF THE ASSISTANT  
INTERNATIONAL ECONOMIC AFFAIRS  
FEB - 6 1939  
DEPARTMENT OF STATE

Division of  
FAR EASTERN AFFAIRS  
JAN 17 1939  
Department of State

AMERICAN CONSUL  
Tsinan, China, December 13, 1938.

SUBJECT: JAPANESE CONSOLIDATE THEIR ECONOMIC  
POSITION IN TSINAN.

WILLIAM H. PERK, Esquire,

American Charge d'Affaires ad interim,  
Peking.

Sir:

RECEIVED  
DEPARTMENT OF STATE  
JAN 17 1939

NOV 15 1938

COPIES  
OF  
THIS  
LETTER  
TO  
BE  
MAILED  
JAN 17 1939

1 G  
Haitian  
6N1-910

FE (INT)

I have the honor to report that, notwithstanding

the absence of Japanese control over wide areas in  
Shantung, the Japanese civilian population of Tsinan  
has increased from 2,000, before the outbreak of  
hostilities, to 8,000. Elaborate plans exist for  
the expansion of the city and two new roads (or streets),  
the Eighth and Ninth Main Roads (八大馬路及九大馬路),  
are being constructed paralleling Seventh Main Road  
(七大馬路), while the dirt surface of another 60-  
foot road has been completed for approximately a mile  
southwest from the present limits of the southern suburb  
of the city to a point near Chienfushan (千佛山). All  
these new roads (or streets) are to be macadamized, and  
stone for the purpose is being transported from the moun-  
tains near by. In a conversation with the Chinese la-  
borers, the writer was informed that the workers are to  
receive 50¢ local currency a day, payment to be made only

ASSISTANT SECRETARY  
OF STATE  
FEB - 6 1939

793.94/14609

upon

F/FG 14609

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

- 2 -

upon the completion of the project. Meantime, the workers are provided with food, the cost of which will be deducted. The Chinese owner of a wheat field, through which the road to Chienfushan passes, states that land owners have been promised payment for the land occupied by the road within three years. Japanese real estate speculators are understood to be active in purchasing land in the district which is to be included in the New Tsinan.

A new air field is being constructed west of the city, for which purpose 5,400 mou (900 acres) of farm land have been requisitioned. It is reported that this land is to be paid for and that the Peiping Government has promised to provide the necessary funds (\$800,000).

Japanese have obtained a 51 per cent share (usually without actually investing any capital) in the majority of the former Chinese owned industrial enterprises, such as flour mills, cotton mills, etc., while practically all modern buildings formerly held by Chinese have, through one means or another but seldom through purchase, come into Japanese hands. In addition, all public utilities, such as water, light, telephone and telegraph services, are under Japanese control.

Further examples of Japanese efforts to consolidate their economic position in Shantung are afforded by the recent establishment at Tsinan of a Cotton Control Orgm, designed to assure an adequate supply of raw cotton for the Japanese cotton textile industries in Tsingtao and Tsinan; the proposed organization of a Sino-Japanese Lumber Guild, which will effectively monopolize the distribution

of

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

- 3 -

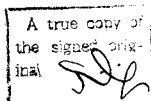
of lumber at Tsinan; and the establishment here on December 5, 1938, under Japanese auspices of a Shantung Branch of the Inland Navigation Association.

Respectfully yours,

Carl O. Hawthorne,  
American Vice Consul.

800  
COH/KCC

Original to Embassy, Peiping,  
5 Copies to Department,  
Copy to Embassy, Chungking.



747  
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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

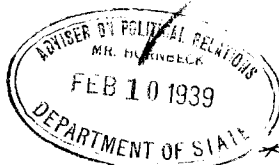
DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

January 31, 1939.

~~MRP~~ ~~LDS~~ ~~ROM~~  
~~ICV~~ ~~SES~~ ~~JLD~~  
~~JMS~~ ~~WKA~~ ~~DMT~~

Tsingtao's despatch No. 384 of December 6 reports that in Anhwei the Japanese are gaining Chinese respect and toleration, are little troubled by guerrillas, and are having economic success through firm control of communications, active coal mining, profitable purchase of beef, et cetera. It then presents the Consul's arguments to support a prediction that nothing but a victorious Chinese military offensive can prevent Japan from achieving a complete and remunerative domination of China north of the Yangtze. While only the future can determine the soundness of his ~~convictions~~, they merit attention as a thought provoking and possibly wholesome challenge to the oft repeated assertion that Japan "has bitten off more than she can chew". The latter part of the despatch, beginning at the middle of page 4, is recommended for reading.



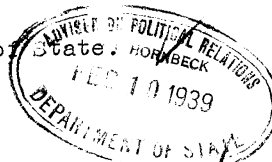
FE:Chase:JPS

*\* if more than usual  
interest in*

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

No. 384.

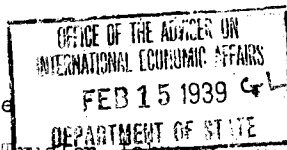
Copy for Department of



AMERICAN CONSULATE

Tsingtao, China, December 6, 1938.

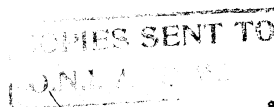
SUBJECT: Conditions in Anhui Province



The Honorable

Mr. Tolson  
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  
Mr. Pennington  
Mr. Starnes  
Mr. Tamm  
Mr. Telford  
Mr. Winterrowd  
Tele. Room  
Mr. Holloman  
Miss Gandy  
American Ambassador,  
Peiping, China.

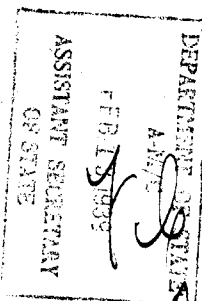
G  
Sokolov  
G.M. NIP



I have the honor to report a conversation with Dr. H. H. Whitlock of the American Presbyterian Mission at Suhsien (Nanhsuchow), Anhui, with regard to conditions in that region.

Dr. Whitlock left Nanhsuchow some weeks ago by rail for Shanghai via Nanking. The Japanese are in firm control of the Tientsin-Pukow Railway and difficulties in resumption of normal traffic on the southern section of the railway appear to be due chiefly to the fact that the large bridge across the Huai River at Pengpu was completely demolished by the Chinese. Another important bridge at Kuchen, north of Pengpu, was also demolished but the repair of the bridge at Pengpu presents the most formidable problem. However, the

Japanese...



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- 2 -

Japanese are slowly but with great determination proceeding with the work of recovering the sunken bridge and are also constructing a caisson preliminary to the erection of new bridge foundations. The journey consumed not much more time than was required in traveling from Nanhsuchow to Fukow before the hostilities. There are few guerrilla attacks on the line and apparently the Japanese have as strong a control of the Tientsin-Fukow Railway as they have of the Tsingtao-Tsinan Railway.

In Nanhsuchow and its immediate vicinity the Japanese, while possessing only a small garrison, have no difficulty in preserving order. They apparently are winning the confidence of the Chinese in that region. Contributing to the improvement in relations between the Japanese and the Chinese at Nanhsuchow is the activity of the Chinese bandits. Dr. Whitlock was frank to state that the term guerrilla is a mere euphemism; the Chinese population simply refer to these armed Chinese as professional bandits ("T'u Fei" 土匪) and regard them in no way as patriots fighting for China. The bandits themselves are finding Japanese pressure so great and the hardships so distressing that several important leaders have approached the Japanese military at Nanhsuchow with the proposal that their bands be incorporated under the Japanese aegis, as  
has...

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

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has happened in Shantung.

The relations between the American missionaries at Manhsuchow and the Japanese appear extremely satisfactory to Dr. Whitlock. The Japanese seemed anxious to avoid any misunderstanding and to refrain from any interference with the ordinary activities of the missionaries; on the other hand, the missionaries realized the necessity of adhering as closely as possible to their normal activities and while extraordinary situations and problems were presented the mission was steering a safe if difficult course. The Chinese attitude toward the Japanese appears to be one of gradual acceptance of what appears to be inevitable - Japanese supremacy. Nevertheless, there is little Japanese interference with the normal activities of the Chinese populace and the Japanese meet with no opposition in holding the railway and the cities on the line. They permit the Chinese to follow in a normal way their daily pursuits. Whenever a raid is made against the guerrillas it is made at some particularly important point or at a moment which is entirely convenient to the Japanese. No effort was being made to occupy the entire province; railways, mines and the principal centers were sufficient from the Japanese view point.

From the economic standpoint Dr. Whitlock

perceived...

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perceived Japanese successes in those directions to which this consulate on several occasions has alluded, namely, control of communications and particularly exploitation of China's coal resources. Dr. Whitlock pointed out that in Anhui Province the Japanese are especially active in the coal mines near Showhsien on the Huai River. The line from Showhsien to Hofei and from Hofei to a point on the Yangtze opposite Wuhu was being operated by the Japanese with complete success. Furthermore, the Japanese obtained large quantities of beef in Anhui at extremely low prices. The Japanese appeared satisfied to hold the railways both as military lines of communication and as commercial ventures.

In resumé, Dr. Whitlock recounted a situation similar to that observable in Shantung, namely, Japanese concentration on holding the railway line, the principal cities, and the coal mines; Japanese determination to handle the guerrilla question in a manner which suited Japanese convenience; and Japanese abstention from interference with the normal activities of the Chinese population so long as order prevailed. The "guerrillas" counted for little in Chinese opposition to the invaders; the Chinese populace abhorred the guerrillas and because of the bandit activities a distinct inclination on the part of the populace to accept the presence of Japanese forces...



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forces as a hard reality and to proceed as best possible under the inevitable circumstances is observable.

The Japanese in a few months should be able to throw open the entire railway line from Shanghai to Peiping; the coast they hold; and the Yangtze is controlled by them. Probably the entire railway line from Peiping to Hankow will likewise fall into Japanese control within a comparatively short space of time. Control of these railways, of the coast, of the Yangtze River and of the two additional east and west railways, viz., Tsingtao-Tsinan Railway and the Lung Hai Railway, are achievements by the Japanese which this consulate feels cannot be over-emphasized. Those lines of communications, however thinly-held some foreign experts and neutral military observers may believe them to be, are in fact for the Japanese of the utmost importance in the economic exploitation of a great, rich section of China. Time will play in the hands of the Japanese; to some foreigners an ultimate Chinese victory is not an impossibility, but even from the military point of view it is difficult to envisage the forced withdrawal of the Japanese from the Peiping-Hankow Railway. Assuming a Chinese offensive that will require the Japanese to fall back from that railway, the Japanese will still have the Tientsin-Pukow Railway, 150 miles

to...

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to the east as a line of defence, while a continued Chinese offensive to be successful must thrust the Japanese forces still another 250 miles to the coast of Shantung. This assumes a Chinese offensive.

"But once war is decided upon, whether in purpose defensive or offensive, it is only by offensive action that a favorable decision will be obtained. History presents no single example of mere passive defense achieving final victory."\*

The consulate's information, of the character indicated in the conversation with Dr. Whitlock and other missionaries, leads it to the view that it will indeed require a Chinese military offensive of a character not yet observed in the present hostilities to cause the Japanese to withdraw from these railway lines. The invaders appear prepared to hold them indefinitely, to improve them, to create a traffic now handicapped by lack of rolling stock which will bring produce and coal for export to Japan and the world - for the benefit of Japan primarily.

From time to time this consulate is impressed by the observations of foreigners who live in the ports and not like Doctor Whitlock in the interior, on the thinly-held Japanese lines of communications.

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\*"The Offensive Still Gives Victory" by George Fielding Eliot, FOREIGN AFFAIRS, October 1938, page 59.

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So impressed are these foreigners by their own "military expertness" that they will concede no achievement to the Japanese. They are fond of referring to "tremendously attenuated communication lines" and "the great difficulty the Japanese would have in holding such a line against any real resistance", to quote from a report dated October 21 describing the capture of Canton." Yet the days, the months, and the year since the fall of Peiping, since the fall of Tsinan, of Hsuehchow, of Kaifeng, of Tsingtao, have gone by and the Japanese have inexorably maintained their grip on these lines, and gradually the wool, the silk, the cotton, the peanuts, the tobacco, the coal, the furs, the skins and the vegetable oils are beginning to move down the "tremendously attenuated communication lines", just as the Japanese desire. Then the foreigners lessen their emphasis on "the Chinese drawing the Japanese into the interior" and increase their protests against the Japanese control of trade. The Japanese will hold those lines, and distasteful as the thought will be to many, Doctor Whitlock has observed on the Tientsin-Pukow Railway what is observable on the Tsingtao-Tsinan Railway, namely, the grasp which Japan is attaining in dominating the economic life of North China through a hold

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\*CHRISTIAN SCIENCE MONITOR, October 21, 1938.

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on the railways.

Respectfully yours,

Samuel Sokobin,  
American Consul.

800  
SS/CML

Original to Embassy, Peiping,  
Five copies to Department of State,  
Copy to Embassy, Chungking,  
Copy to Embassy, Tokyo,  
Copy to Consulate General, Shanghai.

A true copy of  
the signed original.  
inal. *Q/S*

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DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

January 20, 1939.

Shanghai's despatch no. 1885 of December 23 encloses a lengthy report on conditions in Manchuria and north China last October as reported by a German businessman.

The writer regards the increasing importance of the new Nissan Company in Manchuria (at the expense of the South Manchuria Railway) as an indication of increased influence of Japanese wholesale manufacturers and decreased power of the army. He reports that the German-Manchurian trade agreement of last August appears to work satisfactorily. He reports <sup>(North China)</sup> Japanese in north China as stating that this sphere of economic development, which before the hostilities had been assured peacefully for Japan, has now been destroyed by the Japanese military and will take many years to restore to its former position. He regards the imposition of <sup>new</sup> stringent import, ~~and~~ export and exchange control measures as inevitable and states that the extent to which foreign resistance can impede the imposition of these restrictions depends on political rather than on economic conditions.

You may care to glance at paragraphs indicated by check marks in the margin.

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NO. 1880

AMERICAN CONSULATE GENERAL,  
 Shanghai, China, December 23, 1938.

STRICTLY CONFIDENTIAL

OFFICE OF THE ASSISTANT SECRETARY  
 INTERNATIONAL ECONOMIC AFFAIRS  
 FEB - 6 1939  
 DEPARTMENT OF STATE

SUBJECT: Current Conditions in North China--Report  
 by Leading German Businessman.

RECEIVED  
 DEPARTMENT OF STATE  
 JAN 2 1939  
 RECORDING DESK  
 FILE - C.

THE SECRETARY OF STATE,

WASHINGTON.

STRICTLY CONFIDENTIAL

JAN 30 1939

I have the honor to transmit as of probable in-

DEPARTMENT OF STATE  
 JAN 24 1939  
 ASSISTANT SECRETARY  
 OF STATE

Interest to the Department a copy of a translation of  
 confidential report made by Mr. Schmitz-Mancy,  
 Assistant Manager of Deutsche Stickstoff-Handels-  
 Gesellschaft Krauch & Company, one of the most im-  
 portant German firms operating in the Far East,  
 summarizing the information gathered by him on a  
 special tour of investigation to North China during  
 the month of October. In the course of his tour, Mr.  
 Schmitz-Mancy interviewed officials of the so-called  
 "Provisional Government" and economic advisers of the  
 Japanese military administration in North China. As  
 a leading German businessman of long experience in  
 China on a special mission for an important firm, Mr.  
 Schmitz-Mancy's frank observations may be useful in  
 supplementing the information received by the

Department

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Department of State from other sources in regard to current conditions in North China.

Owen L. Dawson, American Agricultural Commissioner, was supplied with a copy of this report in strict confidence by one of his principal sources of information regarding agricultural conditions in North China. Believing the information contained therein to be of more direct interest to the Department of State than the Department of Agriculture, Mr. Dawson made its contents available for confidential transmission. Mr. Dawson has on several occasions supplied this office with useful background information in regard to agricultural and general economic conditions in China and Japan. Much of this information has been incorporated in Mr. Dawson's reports to the Department of Agriculture, which, it is assumed, has made it available to the Department of State.

Mr. Schmitz-Mancy is apparently of the opinion that the Japanese have accomplished little in the economic development of North China, that their control of the area has not strengthened since the beginning of this year and has even weakened in some districts, and that for the present, there is little prospect of effective control by Japanese of regions of North China away from the immediate vicinity of lines of communication. His conversation with Mr. Sakatani of the "Federal Reserve Bank" might indicate that the introduction of more

stringent

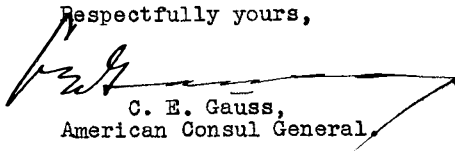
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stringent import, export, and exchange control measures than have yet been announced may be expected on or before March 10, 1939. Mr. Schmitz-Mancy reports that far from receiving gratuitous commercial favors from the reputedly pro-Nazi Japanese regime in North China, German merchants in Tientsin have been forced to band together in an association to protect themselves against the restrictive measures of that regime.

The chart referred to on page 16 of the enclosure was not supplied to Mr. Dawson and is, therefore, not available for transmission. The firm "Defag" frequently alluded to in the text of the enclosure, is the Deutsche Farben-Handelsgesellschaft Waibel & Company which distributes in China the products of I. G. Farbenindustrie, other than its artificial fertilizers, which are handled by Deutsche Stickstoff-Handels-Gesellschaft Krauch & Company.

Respectfully yours,

  
 C. E. Gauss,  
 American Consul General.

✓ Enclosure:

1/- Translation of confidential report.

850  
 HHS:RK

In quintuplicate to the Department,  
 Copy to Embassy, Peiping,  
 Copy to Embassy, Chungking,  
 Copy to Embassy, Tokyo,  
 Copy to American Agricultural Commissioner.



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Enclosure no. 1 to despatch no. 1885 of C. E. Gauss,  
American Consul General at Shanghai, China, dated  
December 23, 1938, on the subject: Current Conditions  
in North China--Report by Leading German Businessman.

NOT FOR PUBLICATION

(COPY)

TRANSLATION OF REPORT OF LEADING GERMAN BUSINESSMAN

ON TRIP TO NORTH CHINA DURING OCTOBER, 1938.

DAIREN/MUKDEN

During our stay at both places we gathered information upon the further development of the measures taken by the Hsinking Government for the regulation of the market. The chief principle of this, the market regulating law, appears to be the motto:

"Any goods which can be supplied from Japan are not permitted to be imported from abroad." Accordingly, the Yokohama Specie Bank raises more and more difficulties regarding granting exchange contracts and tries to delay the necessary allotment of foreign exchange by all sorts of tricks as long as possible.

A favourite method of frustrating the allotment of exchange was the demand that accurate stock lists be produced, also, lists of outstanding accounts, of cash accounts, of imported goods, etc., at a fixed date.

Many firms burdened with work were often not in a position to produce the required lists at the fixed date. At the middle of August the Government decided to employ compulsory measures concerning export foreign exchange and now all exchange transactions for import and export as well must go through Government banks. (See Enclosure 1).

The new established Bank of Manchukuo shall gradually replace the Yokohama Specie Bank, which at present

operates

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operates as a Central Bank and manages the entire exchange business, but the new Bank does not yet possess the necessary foreign connections and the Yokohama Specie Bank has therefore to carry on for the time being.

As long as the free banks were in a position to place incoming foreign exchange at the disposal of importers provided import permits were at hand, the exchange business was not entirely closed, but importers had to pay premiums of 25% to 30% for obtaining allotments of foreign export exchange (this being the well known premium system on which we already reported.)

Later, at the end of July these extra profits of the exporters fell to a 7 - 8% premium or less, on account of rumours that compulsory measures might be introduced for exchange transactions.

In spite of the completely regulated market and the forced exchange it appears that the bank is not always in a position to secure for the firms the already appropriated foreign exchange allotment.

The reason for the shortage in foreign exchange appears to be that remittances of foreign exchange by the bank establishments of the big concerns like Mitsui and Mitsubishi to Japan cause the foreign exchange resulting from the Manchurian export to be insufficient to cover the requirements of the import trade.

Only lately the Hsinking Government has tried, with partial success, to stop these remittances and to place them at the disposal of the Central Bank.

The allotments of foreign exchange, however, often suddenly required by the Military authorities for the purchase of war material, etc., are lost for exchange business transactions and disturb of course the building up of an exchange market system.

Striking is the change taking place in the concerns accomplishing the industrial organization, though the driving motives and reasons for this change are not perceptible to the outsider.

Previously the military administration carried out her entire economical and industrial reorganization with the help of the South Manchurian Railway, even the Tientsin district, but just now suddenly the South Manchurian Railway has been replaced by the new Nissan Concern.

The founder of this Company, Ayukawa, is placed in the foreground as the financier and principal of the industrial intentions in the framework of the Five

Year

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Year Plan, whilst the South Manchurian Railway has been restricted to the railway and transportation affairs and part of the coast navigation in her area.

As informed circles assert to know, this replacement appears to be a success of the Japanese wholesale manufacturers, which succeeded in curtailing the influence of the South Manchurian Railway, which is, under the leadership of their president, Matsuoka, inclined toward the army.

Matsuoka, who accomplished Japan's withdrawal from the League of Nations, is an advocate of the state authority idea in commerce and industry.

The North and Central China Development Companies, formerly planned by him with projects on a grand scale for the exploitation of the natural powers and minerals of the whole of North China and the Yangtze Valley have up to now not materialised.

Matsuoka, who, it was said, had all prospects of becoming Foreign Secretary, did not succeed, according to latest news, although backed by the army. It appears that in spite of momentary predominance of the army now a moderate and economical thinking party is gaining in strength.

Contrary to the grand industrial projects, the constructions of bigger plants have not been started yet. The extension of the railway and other communication lines, and the construction of a few water-power plants were undertaken and accomplished before, under the aegis of the South Manchurian Railway.

The views of the leading economical advisers appear still to differ greatly about the way of achievement and the economical possibilities. None of the different projects could, up to now, materialise under the pressure of the unfavourable exchange situation and on account of the disagreement between the different factions.

The Hsinking Government believes the results so far produced in the development of the organic industry to be sufficient as preliminary steps toward the final large scale development of the coal industry with its widely ramified production of by-products. No definite plans, however, have been made and, in the hope of getting help from the industrially experienced foreign countries, any important visitors seeking information at Government offices are approached. The I.G. (I. G. Farbenindustrie ?) as we hear, plays an important part in these plans.

For the German trade requirements with Manchuria, the trade agreement, signed in the middle of August, appears to work in a satisfactory way, but several foreign exchange allotments, still pending from the time before

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the signing of the trade agreement, have not been granted up to now, contrary to promises, that all outstanding claims should be squared before the agreement comes into force. The promise, however, has been given, that these claims would be settled beyond the agreement, but since this agreement only recently came into force any judgment on the issue should be withheld for the time being.

The Manchurian area as a market is apparently being built up by the Japanese according to their law and they are seemingly granting it a certain consideration on account of the exceptional position of its economical structure, with the intention of forming a buffer state on the continent with an apparently autonomous state.

#### PEKING

Through the amiability of Consul-General Stoller we received valuable letters of introduction to the Japanese and German Embassies and through the intervention of these offices we succeeded in getting in touch with different leading Japanese and Chinese Government offices and also with experts of the administrative staff of the Commander-in-Chief of the North Army.

With the Minister of Industry, Wang Ying Tai, we had a detailed conversation about the economical development and the projects in North China. Wang Ying Tai, former Foreign Secretary, and later lawyer in Shanghai, had been forced by the Japanese army administration to accept a position in the provisional Government, being threatened with the confiscation of his property in Peking and the restriction of liberty of his German wife and his family. Wang Ying Tai declared, surprisingly openly, his aversion against the military dictators and the present conditions and said they had to try with a few responsible men to save what could be saved from the Japanese clutches. It was his firm belief that the North China provinces would not become a Japanese Colony like Manchukuo, but it should be expected that the North China provinces would emerge from this war as an autonomous republic with Japanese economical penetration and connected with China.

Noteworthy were his remarks regarding the Japanese plans for the industrialisation which in his opinion could not be carried out without Chinese capital and the willingness to invest, but the possibility of co-operation appears to be further away than ever on account of the Japanese behaviour, which lately more and more takes the form of a marauding expedition.

Wang Ying Tai emphasized the necessity of the reconstruction of agriculture and further the necessity of intensifying it by giving credits, better seeds,

suitable

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suitable use of fertilisers, development of the transport ways, etc.

From the particular interest shown by Wang Ying Tai for agriculture, and his sceptical remarks with regard to the feasibility of the big industrial projects, which in his opinion have not taken form yet, it may be presumed that the Minister of Industry would like to create with agriculture a sphere of influence and activity for himself. Wang Ying Tai emphasized openly his doubts with regard to the feasibility of bigger industrial projects in the near future.

He explained that first of all the preliminary conditions were missing, for instance the means of communication, the capital and the readiness of the Chinese to co-operate.

In his opinion Japan first of all would try to bring to life and to enlarge the natural sources of raw material, whereby agriculture would play an important part and could be stimulated with less capital and the development to be a question of organization.

The Minister enquired in detail about the experiences we had in Chekiang with the present fertiliser legislation. Citing examples from Germany we tried to explain to Wang Ying Tai, who speaks good German and who knows European conditions thoroughly, the disadvantage of the link-sale system.

As regards co-efficients, through comparisons of the efficacy relations of nutritive substances to each other, and referring to the uninterrupted supply of Phosphoric Acid and specially Potash to the soil through fertilisation for centuries with manure, grass and ashes we think we have Wang Ying Tai convinced that a general use of nutritive substance mixtures, not based on exact scientific experiments appeared to be not only wrong but apt to prevent the use of mineral fertilisers necessary for an increased production.

From the statement presented on the development of Sulphate of Ammonia sales Wang Ying Tai gathered information about the sales of last year and made us the proposition to apply for the necessary foreign exchange for next year's business, based upon the same volume to the Ministry of Industry.

We gave an evasive reply pointing out that our dispositions for stocks were not yet made and that we were not free in our decisions, being bound by the international agreement with the I.C.I. (Imperial Chemical Industries ?) and other concerns to observe the obligations consented to by all these firms.

After that Wang Ying Tai asked whether I was acquainted with the Government regulations for the fertiliser trade in Canton. I answered in the affirmative and explained that, according to the agreement between the Government and the wholesale merchants a tax of 0.20 cents per bag was paid by the merchants

for

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for a fund, from which the experiments of bureau of reconstruction and the institutions for agriculture of the university were supported. Wang Ying Tai was seemingly disappointed over the amount of the Government Tax. There is no doubt that all the discussions were for the purpose of creating a kind of squeeze customary in China.

The general impression we had from this conversation may be summarised by saying that Wang Ying Tai is a Chinese of unusual energy with absolutely European thoughts.

His position in the Government appears to be not too strong on account of his known aversion to Japan, but his clear sighted clever behaviour will surely help him to succeed. We consider it necessary to keep in touch with Wang Ying Tai, the man being thoroughly acquainted with the development in North China and sufficiently clever and impartial to judge all events. If better acquainted with him the man can give us valuable information on account of his lively, open behaviour. The relation should not be maintained in the way of a commercial connection, as in this case the interest of the necessary squeeze would play an important part, but through occasional absolutely personal visits in office and his family.

Japanese Ambassador Horiushi gave us introductions to Japanese military advisers and requested us to return to the Embassy on the following afternoon. Horiushi is a very understanding and European-thinking Japanese who served many years as Consul-General in Tientsin and enjoyed European sympathy. The Ambassador showed great interest in development of the business with chemical means in northern territory. Took opportunity to inform Mr. Horiushi of our belief that the Japanese Sulphate export regulations were being broken by the export to North China of Sulphate mixed with small quantities of Superphosphate under the description of mixed fertilisers. The Ambassador took a note of these matters and promised to look into them.

In reply to our question as to whether large quantities of Manchurian goods could be expected to arrive next year, the Ambassador advised us to enquire at the offices of Mitsui and Mitsubishi.

On the following day intended to see Dr. Yoshida, the principal agricultural adviser and Col. Ishimoto but both were absent. We then approached the Finance Minister Wang Hsi King and had a discussion with him and his First Secretary. To our question as to whether we must reckon from the 10th March 1939, with the allocation of foreign exchange, the Minister replied that the Federal Reserve Bank was occupied in creating an exchange fund.

Nothing

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Nothing definite could be said about the allocation. They were concerned however to respect the interests of foreign firms as far as possible.

In the afternoon we visited the Yencheng University and saw their experimental garden. The Manager, Mr. Shen, intends next year to carry out fertiliser trials which have not been done previously.

On the following morning visited Professor Nasou, who has recently been appointed by the Army as agricultural adviser, etc. Professor Nasou was previously at the University of Tokyo. It is believed that he has considerable influence with the Military party as he comes himself from an officer family and his brother is the head of the Military High School in Tokyo. Professor Nasou is the President of the German-Japanese Society in Tokyo. Dr. Nasou indicated that the many plans for agricultural development have not been realized and are not likely to be inaugurated until the end of the war and clarification of the political situation. Alongside increasing agricultural production, for which purpose chemical fertilisers will be required, Mr. Nasou placed the necessity for cotton growing in the foreground of Japanese interests. Under present conditions however all such planning must be regarded for the time being as "castles in the clouds."

Asked for his opinion as to whether we must reckon with a big import of Japanese nitrogenous fertilisers, Mr. Nasou said that Japan was not yet in a position to cover its own requirements. The needs estimated by the Minister of Agriculture at 2,100,000 tons have been reduced within the industrial planning scheme of Japan to 1,900,000 tons at which figure Japan's capacity would be fully taken up.

In connection with market planning Mr. Nasou emphasized that it is nowise intended to allow the formation of monopolies in any sphere and monopolies will not be granted even to Japanese firms. Trade must remain free. Asked how this was to be brought into line with foreign exchange control Mr. Nasou asked us to enquire at the Federal Reserve Bank.

Visited Mr. Esumi, Director of the Bureau for Scientific Research on North China's agricultural products. Mr. Esumi explained that the Government would concern itself with creating agricultural teaching centres. As yet nothing has been done in this direction. Finally, Mr. Esumi enquired in a suspicious manner whether and in what quantity the I. G. (I. G. Farbenindustrie ?) were in a position to deliver cargo next year. This enquiry is probably connected with our refusal to supply Ataka on the grounds of shortage of supplies and we replied carefully that next year the temporary shortage

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in Germany would probably be overcome.

Had a long conversation with Mr. Tau Liang Wu, First Secretary of the Federal Reserve Bank and with the Secretary of the Finance Minister. Both assured us that the Federal Reserve Bank would have foreign exchange available and that a classification of the goods to be imported with exchange permits had not yet been undertaken. Both referred however to the close link system between export and import exchange on a cover basis and considered it probable that production goods such as Sulphate of Ammonia would have to be given a special position in case a goods classification were adopted.

Especially interesting was a visit to Mr. Sakatani, Japanese adviser and probably the Manager of the Federal Reserve Bank. Mr. Sakatani was formerly financial adviser to the Hsinking Government in Manchuria and was there responsible for introducing and putting through the newly introduced exchange measures. Mr. Sakatani spoke with surprising openness of the difficulties caused by interference of the military in the close economic connections between Japan and North China. He stated that this sphere of economic development which before the war had been assured peacefully for Japan has now been destroyed by the war and would take many years to restore to its former position. Mr. Sakatani stated further that in order to support the currency they would be compelled to secure a strong hold of all exchange in "the same way as in your country." This unequivocal statement contradicts to some extent the statement recently published in the press concerning the proposed exchange measures to be adopted on March 10th, 1939. Mr. Sakatani stated further that the introduction of watertight foreign exchange measures offered particular difficulties on account of the attitude of the foreign banks in the concessions and the Legation Quarter who evaded the grip of the Japanese holders of power. He stated that this delicate question required particularly careful handling so that there would be no appearance of a brutal enforcement of the measures. He left the question open however as to whether the Army leaders would resort to drastic measures to enforce their will and would attempt to cut off ((isolate ?)) the concessions and the foreign banking institutions through a customs barrier and thereby to compel their branches either to close or to comply with the Japanese wishes.

In addition to sounding the above mentioned officials we took the opportunity of getting the views of other Europeans, heads of firms, etc. which are given below.

#### Political and Economic Situation, General

The present situation in the part of North China under Japanese military occupation must surprise any

observer



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observer since it shows comparatively little progress as compared with last summer in spite of the fact that the Japanese have been the unquestioned masters of the country for a full year.

It is clear and it is admitted openly by the Japanese that Chinese resistance in every direction has been much stronger and more enduring than had been expected. It can be said that the Japanese participation ((activity ?)) in the occupied part of North China has come to a standstill since the beginning of this year and that in some districts retrogression is noticeable. Even Japanese declare that the situation was viewed much more helpfully 6 - 8 months ago. The territory which, as long as railways and roads suitable for motor transport were available, was occupied with surprising rapidity now turns against Japanese penetration when these instruments of victory are no longer available or can no longer be used. Above all things remarkable progress is seen in the awakening of a national movement in the people which began only with the Japanese invasion. This movement is not turning towards Communism, as the Japanese are attempting to prove in order to justify their political offensive, but is becoming a movement against the country's enemies. Under the guerrillas, as well as the local "anti-Japanese boundary governments", as also in towns under Japanese occupation, it is seen that Japan, endeavouring by a rapid invasion carried out with every modern weapon to bring about in the Chinese army and people a feeling of unescapeable powerlessness and the destruction of the will to resist, has failed to achieve her goal. Consequently her second objective of bringing about a rapid separation has not yet been realised.

According to reports from Europeans in the interior the districts under the control of the Japanese consist only of narrow strips along the main lines of communication which in great part are in close proximity to the railway lines. Out of 138 hsien in the province of Hopei only 22 - 24 in the immediate neighbourhood of the main lines of communication are more or less firmly in the hands of the Japanese army. For example, the district lying between the Tsinpu and the Pinhan lines to the south of Peking is almost completely in the hands of the guerrillas. Attacks in this area, together with possibilities of flooding, have caused the Japanese many difficulties in recent months and have prevented them from achieving an outright success. Conditions are similar on the Peking/Suiyuang Railway. Also along other railways and roads fighting of greater or less intensity is going on. This hand-to-hand fighting ebbs and flows continuously and disturbs the Japanese lines of communication. For example the Tungchien/Jehol line built by the Japanese in April of this year has had to shut down. The Tungpi Railway from Tatung to Tungkuan

cuts

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cuts Shansi in north and south direction and has been compelled by the guerrillas to cease traffic north of Tayuanfu and to a large extent has been destroyed. The punitive expeditions formerly launched against the attackers of the Japanese lines of communication have recently been stopped and the army contents itself exclusively with an attempt to keep the railways in operation. In spite of the Japanese statements that after the fall of Hsuehchow a mopping up of this district would take place nothing of importance has yet been undertaken. All in all it must be said that the whole military position of the Japanese army in North China is not very favourable.

The latest achievements of the capture of Hankow and Canton which had a strong moral effect on the Japanese will alter nothing in the North China position. The unopposed landing in Bias Bay and occupation of Canton with comparatively weak forces is without doubt due to bribing of under-officers. The preparation and assembly of troops in Formosa for many weeks previously were no secret in the South so that no surprise was possible and the attempt had been several times postponed. Since about the same time Hankow fell, which had long been expected, the occupation of Canton as the terminus of the Railway, has only minor strategical importance.

More important is the question as to whether the treason of certain junior officers indicates a moral weakening of the troops and whether the Central Government will succeed in getting these troops to continue to fight. If Chiang Kai-shek continues the war, the Japanese position, which becomes weaker with every additional split, is not improved. So much the more as the initiative no longer lies solely on the side of the Japanese if the Chinese, with weak forces, are in a position to bring the Japanese to a standstill.

#### Political

Whereas in a military sphere the struggle continues things have come to a standstill in the political arena. Before the outbreak of the war Japan enjoyed considerable sympathy in the circles of the northern government. The educated and moneyed sections of the population were convinced of the necessity of economic cooperation with Japan. The group of the Anfu politicians represented the opinion that North China must undertake development of the country in agricultural and industrial directions together with the Japanese. For example, the reorganization of the Lungyen ore mines in Charhar and the economic exploitation of the anthracite coal deposits in Shansi were to be undertaken with Chinese/Japanese capital. Negotiations about the building of the Tientsin

Shichiachuang

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Shichiachuang/ Shansi Railway for transportation of Shansi coal were in progress and consideration was being given to finance this line with Chinese loans. The entire North China press, including the papers not under Chinese influence, was not anti-Japanese. Little or nothing was heard, even from Japanese sources, of an anti-Japanese feeling or movement in North China. Only by comparing the position before the war with the present position is it possible to measure the enormous damage to political capital in North China which the China policy of the Japanese army has caused. The influential northern Chinese circles stand strictly aloof from the attempts of cooperation on the part of the Japanese military administration and the so-called Provisional Government does not represent in the slightest degree the feeling of the above truly representative North China circles. The members of this Government consist either of unscrupulous opportunists or of people who under pressure from the Japanese military and from a fear of the safety of their family and possessions have been compelled to accept government positions.

The form of the Japanese invasion, the unending high handed measures, confiscation of private properties and encroachment in every direction have completely squandered the balance of capital.

For decades Japan has spent large sums on her cultural-political aims in North China but in spite of every endeavour has not yet succeeded in establishing a single Chinese university with Chinese professors. The three existing Chinese universities under foreign influence are the only ones and they appear to be well patronised by Chinese students. The Provisional Government in Peking is the only organ of Japanese political influence in North China which remains.

Out of touch with the old circles and dependent on the might of Japanese bayonets this government is floating about without any solid basis or support. Of any practical administrative activity of this government beyond the magistrates of Peking and Tientsin nothing can yet be noticed.

Tramways, omnibus and transportation companies have been taken over by the Japanese who, however, do not make any efforts to meet the financial liabilities arising from them from the administration of these objects. Repairs or replacements of the worn out material are insufficiently, if at all, carried out.

Here too, the behaviour of the Japanese appears to be systematic robbery.

The guerrillas which previously consisted of scattered, badly equipped and independent operating troops, are now far better organized. Hand in hand with this better guerrilla organization all political forces and tendencies hostile to the Japanese assemble in the framework of two Chinese governments in the interior of

China

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China. As British travellers report, one of these provisional governments in Central Hopei, under the leadership of the Central Government, has taken over with its organization the administration of the whole area between the Pingshan and Tsinpu Railways, further parts in East Shansi and Charhar. The Chairman of this Government, which consists of eight members, is the former Governor of Shansi, Yen Hsi Shan. To the South of this area a further government sympathising with the 8th Route Army and their communistic leaders has come into existence. The administrative area of this, likewise the Chungking subordinate Government, extends across to Honan and Shantung. According to the reports of the British travellers both governments carry out absolutely regular administration with the aim to save the entire harvest and other raw products from the Japanese clutches and to place them at the disposal of the Chinese army. Using the many rivers and canals of these vast areas in the interior, far away from the railways, this aim it appears has succeeded undisturbed. The population has organized on the basis of village units and educated for national service and work in the real struggle with Japan.

Such slogans as "Chinese do not fight against each other", or "Who possesses power gives power", "Who has money gives money", "Who has knowledge gives knowledge" reach even Peking and appear on the walls and in the talk of the street.

Compared with the present general feeling the former traditional anti-Japanese political opinion of the Kuomintang, the teacher and student circles, which had spread over North China, appears to be a mild atmosphere as contrasted with the present national movement working under the pressure of the Japanese invasion.

The general anti-Japanese feeling being propagated and intensified amongst millions of simple peasants through the daily war sufferings of the people and the cruel behaviour of the Japanese troops appears to be a serious danger to the Japanese.

The undeniable reverse suffered by the Japanese in the course of last year in their political position in North China can not be squared up with their military successes. As regards the political situation the fact is of decisive importance that the Chinese, in spite of the Japanese victories, are far away from the feeling of being conquered. They still believe it has yet to be decided as to who will come off as victors.

The economic life of these agrarian provinces, the productivity of which depends upon the safe gathering in of the varied crops and on the undisturbed transportation facilities to the ports is paralysed at present in its agrarian aspect on account of the Japanese invasion. As mentioned above, the country being now

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divided on one hand into the narrow strips of land along the railway lines occupied by the Japanese forces and, on the other hand, into the area in the interior of the country occupied by the Chinese guerrillas, a further disturbing factor was the heavy rainfall of this summer, with the consequent disastrous inundation of a great part of the country.

The reconstruction of the North China areas being destroyed by war and floods was never taken in hand by the Japanese. According to an estimate of Japanese exports the reconstruction of the destroyed highways and canals and the reorganization and reconstruction of the agrarian area would require millions of dollars and a period of several years. Likewise, in the few hsien controlled by the Japanese military authorities no systematic reconstruction has been undertaken.

Regarding agricultural reorganization, the Japanese confine themselves to encouraging the peasant in the cultivation of his land and the use of chemical fertilisers. The peasants in the vicinity of Peking who are engaged in agriculture in the form of market gardening are more or less in a position to furnish towns with supplies. Since June of last year the wholesale trade index increased to 134.77. From July of this year to August of this year to 148.56 which is about 9.8 - 10%.

Contrary to Japanese press propaganda, the exploitation of the conquered North China Provinces, the supply of Japanese industry with raw materials and minerals from North China, have not yet been begun. The Five Year Plan, largely propagated in the Japanese Press, for the development and exploitation of North China's raw material resources, and which was to have been undertaken with large sum of 1.4 milliard Yen has not yet materialised. The Japanese have not yet reached any decision with regard to the question of capital for the exploitation of easily accessible ores and the mining of coal in Shantung, the latter being an item of utmost importance to them. Moreover, the military administration shows neither any intention, nor is in any position to meet the financial liabilities of the confiscated industrial enterprises. A power plant in the Western hills, built under the Chinese administration, has failed to meet its obligations since the Japanese took possession of it.

All information from either Chinese, Japanese or European sources indicates that, in spite of it being propagated by the newspapers, the realization of big industrial projects is not to be expected in the near future.

The troops garrisoned in the occupied parts of China have, up to the present, been unsuccessful in obtaining all their supplies from the produce of the country and have been obliged to get them from Japan.

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The extensive army establishments organized for this purpose require an enormous number of officials. For this reason, at the beginning of this year, trade appeared to flourish to a certain extent, the small Japanese merchant having been provided with business opportunities in the occupied territories. Owing to the exchange situation, the trade restrictions in Japan, and chiefly on account of the absence of Chinese buyers, a noticeable process of immigration has commenced. However, the Japanese colony and the army are not sufficient to make a profitable business possible.

#### Financial Situation:

The introduction of the new banknotes of the Federal Reserve Bank was always the chief aim of the military Government. The passive resistance of the European, especial British, Banks against the new currency, and moreover the aversion of the Chinese population to accept the new notes, have hampered their introduction. The Government has tried by every possible means to break this resistance but has so far failed. About one and a half months ago the Government introduced a forced exchange of 90-100 of the old notes against the new currency in order to prevent the preference for old bank notes. This remedy, however, had no effect, wholesale business being carried on through foreign Banks which, as before refuse to accept Federal Reserve Bank notes.

These regulations affected only the business of the small-money exchange shops, small dealers and small business transactions on a cash basis outside the foreign settlement.

At present foreign Banks appear to have weakened somewhat in their resistance of the new currency and, with the exception of British Banks, other Banks carry special accounts in the new currency. This fact, together with the rumours of imminent exchange control regulations, has reduced the higher quotations of the old as against the new currency from approximately 4.5% to 0.7%. In the meantime the military authorities have decided to make a final effort to force the new notes on the market. As from 10th March, 1939, the new notes will serve as the only valid currency, whereas all other Bank notes will be declared as illegal. Until then the Bank will try to create a fund consisting of foreign exchange and precious metals as security for the new currency. Details, however, as to how the acquisition of this fund will be effected, have not been disclosed. The possibilities of accumulating a foreign exchange fund are very limited for the Japanese. The averting of a European war, very much to their disappointment, prevented them from the possible occupation of the foreign Concessions and the seizure of 40 million worth of Chinese Government silver stored therein.

The greater part of exports, based on foreign exchange, at present still goes through the hands of European, chiefly German, firms. According to rumours,

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security funds have been specially established on the basis of export of foreign exchange by the Mitsui and Mitsubishi concerns which export the so-called "prohibited articles", such as hides, skins, leather, etc. For this purpose these shall also be exported to foreign countries.

At present the circulation of 88.5 million worth of Federal Reserve Bank notes is covered by 6 million in fixed value. According to a preliminary scheme (see enclosure 2) of the Federal Reserve Bank the foreign exchange control regulations can be introduced and carried out by the free use of the foreign export exchange in a way similar to that carried out by the Hongkong Government. A forced delivery of export foreign exchange and the classification of the goods according to the necessity for their import, from the Japanese point of view, has not been taken into consideration. This preliminary, semi-official, and reservedly given declaration is in no way in accord with the opinions expressed during our personal interview with the Finance Minister Wang and later by Mr. Sakatani, the Finance Adviser and Director of the Federal Reserve Bank and also by his subordinates such as the Director of the Bank's Tientsin Branch, Mr. Kawamura.

Mr. Sakatani declared very clearly that only complete control of foreign exchange could furnish a basis for a sound currency system. According to information received from Mr. Kawamura the classification of the goods to be imported has not yet been decided upon in detail but there already appeared to exist a series of prohibited articles as a preliminary for this purpose. It appears therefore only to be a question of time until the experiences met in Manchukuo will be applied in full to the market in North China (see enclosure 1, Copy of Classification of Import Goods in force now in Manchukuo.) The Japanese are forced to take entire control of the export foreign exchange if they want to build up and preserve the new currency. The Concessions, with their rights and the protected foreign Banks therein, prevents the Japanese from taking the necessary steps to achieve this purpose with accuracy and speed such as in Japanese controlled Manchukuo. How far foreign resistance can impede the imminent control of foreign exchange depends upon political and not economic conditions. The civileconomic-thinking Government advisers are themselves afraid of the forcible steps of the military Government. By the erection of Customs barriers against the import or export of all goods it will be possible to enforce the entire control of foreign exchange bills, in spite of the resistance of foreign banks, by strangling business in the Concessions. This danger may not be expected from civilian circles but it is quite possible from the military authorities whose encroachments have been met by foreign countries with powerless protests. In any case restrictions concerning foreign exchange may be expected. The fixed rate of exchange for the new notes of 0/1/2 against Pound Sterling will bear an influence on trade which can not yet be foreseen. The value of produce from the interior would increase by 43% (?). It can not be assumed that products would

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be offered at such low prices.

The Mongchiang Kungze, founded in Kalgan by the Japanese, a semi-official trading Company, which carries on the purchase and export of the produce of the Mongchiang district, complains about the insufficiency of supplies of the products of that country. The Mongchiang area comprises the provinces of Charhar, Suiyuan and the inner territory of Mongolia. The administration of this area is in the hands of the Japanese Mongolian army which is identical with the former Kwantung army. The produce of this territory from the regions in the bend of the Huang Ho, but chiefly from the regions further west near to the highlands of Tibet, the Lanchow and Ninghsia District, are no longer shipped as before on the Yellow River to Paotow and from there over Kalgan and by railway to Tientsin but make their way now southwards into the Chinese territory.

It is estimated that former exports to the East have decreased by 50/55% and now take a south-westerly direction. A chart of the 5 northern provinces attached hereto illustrates in red and black arrows the outflow of the produce before and after Japanese invasion. It is interesting to observe that the changed outflow of goods from the northerly area has also affected the western part of Shantung. From the Taishan district and the areas of the Grand Canal the products of the country are now partly exported through Tientsin. On account of the present adverse conditions prevailing on the Tsinan/Tsingtao Railway which hamper the transportation of goods to Tsingtao. Furthermore, since the occupation of Tsingtao by the Japanese no foreign exchange can be obtained. From the Weihsien district products make their way now along the northerly coast of the Peninsula through Chefoo instead of through Tsingtao. The manipulations with the new currency will most probably prevent further exports of produce from the interior, through Tientsin, either entirely or at least for many months to come, on account of the inevitable decline of the value of this produce. The German business circle in Tientsin has visualized the danger and is trying to prevent it by forming the German Commercial Association, Deutsche Handelsvereinigung. This Association represents the interests of the German import and export firms and will approach as an individual company the foreign exchange authorities.

The foundation of this company, which seems to have come about by the initiative of Mr. Schwender, Manager of Defag in Tientsin, appears to offer the only possibility of providing for exchange in sufficient quantities; also for those companies which are sole importers.

According to the rules so far issued by the Peking Head Office of the Federal Reserve Bank to its branches, the exchange of foreign currency between different companies is not prohibited but it is expected that this organization should have the possibility to confront the bank effectively in any negotiations.

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The Association concluded already in the stage of her foundation a preliminary trade agreement with the aforementioned Mongchiang Kungze in Kalgan in order to revive if possible the declining trade of the Mongchiang district. This appears to be very important as the association has thus been recognized by the semi-official Mongchiang Kungze as an equal partner.

#### Competitive Products.

The biggest danger in the North China market to our sales appears to be the possibility of larger imports of Manchurian Sulphate of Ammonia into this area. On account of the cheaper prices of this and other products of Japanese production, compared with the prices of our and Imperial Chemicals Industry goods, the Japanese share of total sales has increased rapidly in the shortest possible time. The figures given below illustrate the sudden increase of Japan's share:-

#### Total Sulphate of Ammonia Sales in Hopei and North Honan in 1934 - 1938 (In bags)

Firm	1934	1935	1936	1937	1938	1938 % of Total
D.S.H.	42,797	52,462	52,693	75,594	61,850	31
I.C.I.	28,926	36,376	52,893	67,368	57,155	28.6
Jardines	1,900	2,200	2,900	4,614	5,449	2.7
A.P.C.	-	1,600	2,500	850	500	0.2
Trail	-	11,800	22,500	-	-	-
Yung Li	-	-	-	35,700	2,000	1
Dairen	-	500	1,000	9,920	65,400	32.7
Japanese S/A	-	-	6,800	1,030	800	0.4
Japanese S/A in Mixed Fert.	-	-	-	-	6,750	3.4
	73,623	104,938	141,286	195,076	199,904	100%

The following comparison of sales figures for 1937/1938 illustrate more clearly the ability of Japanese competition not only to fill in but also to take advantage of a gap in the market. As will be observed Manchurian competition supplied within one year, without any difficulty, the 18% deficiency of Chinese Pukow Sulphate of Ammonia of total sales which cannot be supplied on account of the war.

#### Sulphate of Ammonia Sales by Various Importers in Tientsin District in 1937 & 1938

	1937		1938	
	Bags of 100 Kilos	%	Bags of 100 Kilos	%
1) DSH	75,594	40	61,850	31
2) ICI	67,368	35	57,155	29
3) Jardines	4,614	2.4	5,449	3
4) Pukow	35,700	18	2,000	1
5) Manchurian	9,920	5	65,400	33
6) Japanese	1,030	0.5	7,550*)	4
7) APC	850	-	500	-
Total	195,076		199,904	

\*) Including 6,750 bags of Sulphate of Ammonia in Mixed Fertilisers

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Tientsin has succeeded in obtaining particulars of the total imports of Japanese and Manchurian Sulphate of Ammonia during the last year and of the unsold stocks which will probably appear at the beginning of next season on the market.

The summary of these figures gives a stock of approximately 32,000 bags but it has to be understood that according to the statistics of the Customs further quantities still arrive.

1938 Imports and Sales of Manchurian and Japanese Sulphate of Ammonia in Tientsin District

	<u>100 kilo bags</u>	
	rd.	
<u>IMPORT</u> into Tientsin of Tsai Shen S/A from 1.1.38 - 28.9.38	58,000	
<u>IMPORT</u> into Chinwangtao from Dairen of No. Brand S/A (Tsai Shen M. Ch. I. goods)	<u>22,000</u>	80,000
<u>IMPORT</u> from Japan (3 Diamonds, b6 Mitsubishi)	800	
<u>IMPORT</u> from Japan of S/A in mixed fertilisers (75% S/Ammonia. rd. 35,000 Quintals)	<u>25,000</u>	<u>25,800</u>
		105,800

Total Sulphate of Ammonia Imports

	<u>100 Kilo Bags</u>	
	rd.	
SALES 1938 of Tsai Shen	45,000	
SALES " of No Brand	20,400	
SALES " of Japanese	800	
SALES " of S/Ammonia in mixed fertilisers	<u>6,750</u>	<u>72,950</u>
Unsold stocks as at 1/10/1938 rd.		<u>32,850</u>

Japanese traders have apparently tried to avoid the present export restrictions on Sulphate of Ammonia by adding small quantities of Superphosphate to the Sulphate of Ammonia which is then declared as mixed fertiliser and exported. According to our examinations the first lots of mixed fertiliser showed a higher percentage of P<sub>2</sub>O<sub>5</sub> and K<sub>2</sub>O, but later arrivals contained far smaller quantities of the P<sub>2</sub>O<sub>5</sub> and no K<sub>2</sub>O at all. This fact indicates that obviously the manufacture and introduction of a mixed fertiliser was not intended but the exporters simply tried to avoid the existing export restrictions.

As reported already we informed the Japanese Ambassador Horiushi of our suspicion, who promised to make investigations in this connection and, if possible, to stop this practice.

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The above figures, illustrating the rapid sales development of the Manchurian Sulphate show clearly the imminent danger to our business. The rapid development occurred on account of the great price difference - \$17.50 as against \$22.20 per bag of our goods, as reported before.

All our information gathered from different sources could not answer the question as to whether next year still bigger imports of Manchurian or Japanese Sulphate of Ammonia into this market may be expected.

Even indications are not given for a presumed development. Although the Japanese total production according to reports from Prof. Nasou cannot fulfill the requirements of the Ministry of Agriculture and possibly the motherland will rely on Manchurian production, it still appears to be possible, according to the opinion of our own technical representative in Japan that the Manchurian production will have a surplus of 20/22,000 tons for the North China market.

It would appear that the Japanese would meet difficulty in building up a selling organization through Chinese agents but this is not the case. They have succeeded in building up their own sales organization which is as good as ours. They have been successful because of their ability to sell at much lower prices than we.

The head office is called Yu Fung Kungze, established in Tientsin and is an agency of the S.M.R. Their product is marked "Sulphate of Ammonia Tsai Shen Brand. Yu Fung Kungze".

The Sulphate of Ammonia known as "No Brand" is of large crystal and is probably synthetic produced by the Manchurian Chemical Industries, Dairen.

This cargo is mostly packed in rice straw bags and repacked in 100 kilo bags by agents. It is a popular article. The price is about \$1.00 per 100 kilo bag, below branded cargo.

Imperial Chemicals Industry's main agents at Tangshan, Hatou, Fengjin in the Tientsin and Peking areas sell Manchurian Sulphate, thus the Imperial Chemicals Industry agency system is somewhat broken up.

#### Lungkow.

On the way back from Tientsin we visited our agents at Lungkow, Shantung. The agent's godown was damaged several weeks ago by bombs. No cargo was damaged. The town itself is dead and nearly all shops closed. Rich people have fled to interior as new attacks may be made any moment.

#### Chefoo.

This port recently grew in importance because it handled the exports of goods from the north easterly coast area of Shantung but also exported goods from central Shantung. This outflow of goods is favoured

by

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by guerillas who occupy the interior.

The financial condition of Chefoo differs from other towns occupied by Japanese. The Hongkong & Shanghai Bank accepts all notes at full value even those not usable in Shanghai and South China and therefore has a large supply of notes for circulation. The bank also pays out all kinds of notes but Chinese Bank notes held by Chinese may result in confiscation and punishment. Big sums remain frozen. ✓

Only because of old business connections between Chefoo and Shanghai and the fact that big Chinese firms have representatives or agents in Shanghai has it been possible to do business. Most of the transactions are carried out in Shanghai.

Sales of our products during the past season were good. Local hostilities did not affect our sales.

How far Shantung will be included in any exchange regulations imposed cannot be foreseen. No indications along this line exist but it may be expected that the Japanese will count upon including Shantung in their plans.

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

C O P Y

Encl. 1

IMPORT ARTICLES TO BE DIVIDED INTO SIX CLASSES.

The trade Bureau eager to promote the export trade under war economic system is now in touch with the officials concerned in connection with the adoption of import-export linking system with the following plan in mind, but it is feared that there will be still time until the plan can be put into operation due to the Finance Department.

1) Import permit:

- a) Import cannot be made unless with the Government license.
- b) Import license serves also as exchange permit.

2) Conditions on which import license can be granted:

Import license cannot be issued unless export is made to the countries other than China and Manchukuo, which will improve the international accounts of Japan. Exception is made, however, for import of articles such as those which would be supplied to the Army Department or those which would be used for the welfare of the public.

3) Application for Import License:

Importers should send in the application with the letter of certificate for sales of exchange bill, which endorses the inflow of money from abroad.

4) Import License:

- a) The Government will not issue import license for the commodity which they consider either unnecessary or not of urgent need.
- b) The Government will divide import articles into six classes excluding those which are under the category of import prohibition.
- c) The amount of import license to be granted will be fixed against the export exchange according to the kind of articles as under:

<u>Class</u>	<u>Amount of import licenses to be granted.</u>			
A class	70%	of	export	exchange sold
B "	60%	"	"	" "
C "	50%	"	"	" "
D "	40%	"	"	" "
E "	30%	"	"	" "
F "	20%	"	"	" "

5) Letter of certificate for export exchange sold:

a)

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a) At the time that the exporters sell either export bill or draft to a Bank in settlement of the account for the goods exported, the banker shall issue the letter of certificate at the exporter's request.

b) The letter of certificate should be one and the same form. As to what are needed to be filled in, regulations will be issued later.

c) The letter of certificate shall be so prepared that it can be cut and transferred to any party interested with the minimum amount on each.

6) Term of validity of letter of certificate:

Letter of certificate is good only for 30 days from the date of issuance, during which time it should be submitted to the authorities with the application for import license. Otherwise, it loses its power. But exception is made for letter of certificate which has been obtained through the Boeki Kumiai Chuokai, as this letter of certificate is good for 45 days.

7) Transfer of the letter of the certificate:

Owner of this letter of certificate can transfer it to any party he desires.

8) Classification of import materials:

Classification shall be made according to the degree of importance of the welfare of the people of Japan. That is it shall be determined according to the import tariff list attached to the Customs Tariff Law.

a) Goods are divided into three kinds according to the extent of the finishing or working as under.

	<u>Kinds</u>	<u>Coefficient of weight of necessity</u>
1)	Raw material and substance	3
2)	Manufactured or semi-manufactured goods to be used as raw material	2
3)	Manufactured goods	1

b) Goods to be divided into four kinds according to the degree of importance from the economic welfare of the people.

	<u>Kinds</u>	<u>Coefficient of weight</u>
1)	Goods for heavy and chemical industries	4
2)	Goods for export of light industry, medical and hygienic apparatus, etc.	3
3)	Other materials for production	2
4)	Goods for consumption	1

c)

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- c) Goods are after all divided into six classes according to properties and coefficient of weight (A - B) as under:

<u>Classes</u>	<u>Total coefficient of weight</u>
1st class	7
2nd "	6
3rd "	5
4th "	4
5th "	3
6th "	2

9) Departmental ordinance for import-export linking system:

This will be issued by the Department of Commerce & Industry and the Finance Department according to the exchange control act.

Mr. Ikeda, the Minister of Commerce and Industry, will decide whether the above arrangements are good for practice or not, as there is a divided view between the officials of the Department of Commerce and Industry and the Finance Department.

The following are what are considered by the Department of Finance undesirable in carrying out the plan:

- 1) Enforcement of synthetic link system may bring about the transfer of the letter of certificate for sale of exchange bill with premium with the result of inflicting a bad influence over control of economic system.
- 2) Although the Department of Commerce and Industry intends to entrust the business in the dealings of "import rights" to the Bank of Japan, there is a fear of the Bank failing to attend to the business which may rush in, as it is devoid of experience in this kind of business.
- 3) There are so many kinds of articles that the authorities will find it extremely difficult, if not impossible, to classify them for the fixing of the rate of "import rights" against the export made. Further difficulty is how to determine the extent of the premium.
- 4) There is a lack of proper study relative to the importance the system will play in parallel with the commodity mobilization plan.
- 5) There is a fear of allowing companies of large capital to enjoy unduly great profit at the cost of companies of small capital, as a result of granting "import rights" against the export made.
- 6) "Import Rights" with premium is liable to cause the import cost to advance, to the suffer of the people at large.
- 7) Although the Department of Commerce and Industry plans to carry out the project for synthetic link system according to the exchange control act, there is something unpracticable in such a system.

C O P Y .

Encl.2.

EXCHANGE FUND CREATED BY FEDERAL RESERVE.

Revolving Fund to Provide Exchange in  
Export and Import business.

Formal Statement Issued in Peking.

Peking, Oct. 6.

The Federal Reserve Bank of China has taken a decisive step toward the re-establishment of foreign trade in North China by the creation of a foreign exchange revolving fund. Announcement of the move was made yesterday by the President of the Bank, Mr. Wang Shi-Tsing, at the Peking Hotel.

Following the announcement made by the president, Mr. Kiichi Sakatani, Vice-President, discussed the provisions of the plan with foreign correspondents.

He stated that although at present there is nothing approaching a free market here, the foreign exchange fund will be used to aid in foreign trade under the import-export link system. The Federal Reserve Bank will sell foreign exchange against cover only.

Similar Method to One Used by Hankow.

Questioned as to the difference of the North China currency control and that recently established in Manchukuo, Mr. Sakatani declared that the control is not expected to be as comprehensive as that enforced by Hsinking. He said that the system to be used here is similar to the method being used by the Hankow Government. That is during a certain period the Bank will decide how much shall be allotted to cover purchase of import goods.

According to Mr. Sakatani, the present fund is only a start, but it is expected to aid in the stabilization of the Federal Reserve Bank currency, which is linked to the yen and convertible to sterling at 1s.2d.

The statement issued by the authorities of the Federal Reserve Bank follows:-

Increased Note Issue.

"The Federal Reserve Bank of China was established as the Central Bank for North China and the notes issued by the Banks are the only national legal currency. Since the opening of the Bank for business the note circulation within the country has daily increased and during the past half a year its total amount reached well over 80 million Chinese Yuen. The total note issue as on October 1 last reached CY88,852,715.

"This indicates most convincingly how the people

have



-2-

have placed their confidence in the new national currency issued by the Banks are the only national legal currency. Since the opening of the Bank for business the note circulation within the country has daily increased and during the past half a year its total amount reached well over 80 Million Chinese Yuan. The total note issue as on October 1 last reached CY88,852,715."

"This indicates most convincingly how the people have placed their confidence in the new national currency issued by our Bank, as reserves for the notes issued are not only now being actually covered fully by gold and silver bullions and also by the deposits of foreign currencies but they are increasingly being accumulated. And we have established a system of Foreign Exchange Fund setting aside a portion of the Foreign currency in our possession and by its operation we propose to strengthen, at the same time, the functioning of the national currency as the circulating medium for foreign trade."

"This will greatly contribute to the further strengthening and consolidating the currency system in North China."

Bank's Statement.

The following statement was issued by the Federal Reserve Bank of China, on establishment of the foreign exchange fund.

"The Federal Reserve Bank of China has established the Foreign Exchange Fund by setting for this purpose, a portion of gradually increasing foreign currencies in our possession. The purpose of this new establishment is first to make the operation of the notes issued by the Federal Reserve Bank strengthened and effective as a circulating medium for foreign trade, at the same time, to promote the trade in North China.

"The Bank will transfer the amount of foreign currencies as it deems proper to this Fund for its operation. In the operation of the Fund, it is intended to tie up with the export-import link system with foreign countries other than Japan and Manchukuo. This Fund is set out for the purchase of export notes for Third countries, at the same time, for the sale of import notes from foreign countries intended for North China within the limitation of the Fund. By this system of operation the foreign currency will gradually diminish in amount first but a considerable gain in the foreign currency is assured by export notes within their time limit. Therefore, this Fund will not lose its capital but it will operate as the Revolving Fund for trade.

Bank as Operator

"The Yokohama Specie Bank is designated to operate

this

1505

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-

this Fund and to those who apply for the use of this Fund the Bank will advance loans with a low rate of interest, thus giving cooperation to the smooth working of this system. There are ways also open of utilizing this Fund in the exchange operation to be handled by the Chosen Bank.

"In view of the present currency situation between our two neighbouring countries, Japan and Manchukuo, this Fund is established for the promotion of foreign trade, maintaining the rate on sterling 1s. 2d. and we believe this will greatly aid those who co-operated in maintaining the exchange rate, in the furtherance of their trade with foreign countries.

"It is, however, contemplated that the benefit of this system may be afforded to those who will fully respect the spirit of the system and make use of it as far as the limitation of the Fund permits.

"Those who desire to obtain information in regard to the details concerning the operation of the Fund are advised to consult at any of the Yokohama Specie Bank branch offices." - Peking Chronicle.

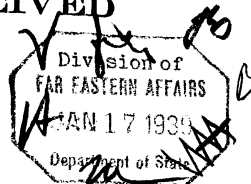
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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

## TELEGRAM RECEIVED

1-1236

FROM



MARDET TIENTSIN

January 17, 1939

Received 4 a.m.

EDA

This telegram was received  
in Navy code and must be  
closely paraphrased before  
being communicated to anyone

Action OPNAV

INFO COMAR FOR NORTH CHINA  
CINCAF  
FOURTH MARINES  
ALUSNA PEIPING.

793 94  
0018. One thousand soldiers nine cars trucks past  
week proceeding from Chinwangtao Tientsinward. whence two  
fifty wounded arrived to board transport. 0315.

ddm

793.94/14612

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

## TELEGRAM RECEIVED

JR

1-1336

GRAY

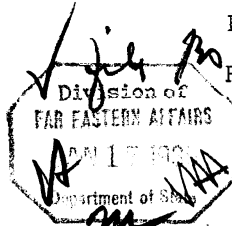
FROM

Tokyo

Dated January 17, 1939

Rec'd 7:20 a.m.

Secretary of State,  
Washington.



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

EJL

25, January 17, 4 p.m.

Department's 360, October 25, noon and Embassy's

688, October 28, 9 a.m., paragraph No. four.

The NICHI NICHI carries today as an advertisement  
a lengthy open letter addressed the SHIUNSO to the  
President of the United States in outline as follows:

One. The Japanese people have had "comparatively  
large measure of respect" for the United States, "because  
the United States is not swayed by a sense of profit  
or loss but is susceptible to action motivated by justice  
from a comparatively impartial standpoint". However,  
the United States is now acting in an apparently  
unneighborly manner toward Japan.

Two. It is proposed that the President's "campaign  
against aggressor nations should begin by taking up"  
the case of Great Britain, whose past aggressions are  
unparalleled. With regard to the suggestion that  
conference be called to consider possible revision of the  
Nine Power Treaty, the letter states "any international  
conference

793.94/14613

F/FG

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

-2- #25, January 17, 4 p.m., from Tokyo.

conference dealing with Japan invariably is called for the purpose of defending the unnatural status quo resulting from Britain's past aggressions".

Three. The letter recommends that the United States restrain other powers from indulging in intrigue in China to the detriment of Japan; that the United States bring up for international consideration the redistribution of territories and resources; and that it recommend to Soviet Russia cessation of Communist propaganda. The letter concludes with a warning to the United States that the latter must take responsibility for the consequences of Anglo-American sanctions.

Copies by mail to Chungking and Peiping.

GREW

DDM:CSB

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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

February 1, 1939.

Canton's despatch no. 4 of December 30 reports that the Japanese were maintaining fair order in Canton and slowly rehabilitating public utilities; that the city's Chinese population was about one-third normal; that gambling and opium dens were being operated openly; that the Japanese were confining military operations to holding occupied territory near Canton and air raids; that they had five divisions; that their next advance, if any, would be toward Kwangsi; that Japanese civilians were coming in increasing numbers; that Japanese schemes for a "puppet" régime were hindered by failure of efforts to induce influential Chinese to return to Canton. It also reports that the Japanese were doing nothing to restore service on the Hankow and Hong Kong railways; that, to injure Hong Kong commercially, they refused British requests for reopening of rail, water, and postal communications with Hong Kong, stating that opening of river navigation might prejudice Japan's position as to the Yangtze; that the Consul General attributes their attitude to a desire to place Japanese commerce in an advantageous position before permitting normal Customs functioning and river navigation (pages 5-7, which are well worth reading).

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

No. 4

American Consulate General,  
RECEIVED  
Canton, China.  
DEPARTMENT OF STATE

December 30, 1938.

1939 JAN 17 PM 2 55

CONFIDENTIAL

DIVISION OF  
COMMUNICATIONS

*Myers* UNRECORDED

SUBJECT: Situation at Canton -- Certain Aspects of.

FEB 20 1939

The Honorable  
The Secretary of State,  
Washington.

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*WA*

Sir:

I have the honor to report upon conditions at Canton, with particular reference to such matters as the military situation, Chinese and Japanese populations, the difficulties which Japanese are meeting in establishing a local government, and the Japanese attitude toward the establishment of direct postal, water and rail communications between Canton and Hong Kong.

793.94/14614

It will be recalled that Japanese troops, said to have been the greater part of three divisions, landed at Bias Bay on October 12, and that the advance guards of this expeditionary force entered Canton on October 21, the Chinese forces, together with all civilian government personnel, having previously evacuated the city as had most of its population. Furthermore, the Chinese, apparently in pursuance of the "scorched earth" policy,

DEPARTMENT OF STATE  
A-M/C  
FEB 15 1939  
ASSISTANT SECRETARY  
OF STATE

FEB 24 1939

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

- 2 -

policy, put to the torch important business sections of the city and put out of commission the remaining intact power house, the other one, together with the city water works, having been seriously damaged by Japanese bombs. Canton was practically deserted, estimates of the population at that time ranging between 50,000 and 100,000.

The Japanese have since October 21 been in military occupation of the city, have placed Japanese military police in charge of maintaining peace and order and have recently caused to be established a Peace Maintenance Commission composed of such Chinese -- only a few of whom can lay claim to even a slight degree of prominence -- as could be found for that purpose. Efforts are being made to restore the power service and a limited service is now available in one section of the city. It is expected that many months will elapse before electric lighting is generally available and the water system is fully restored. Apparently little has thus far been done to reestablish the sanitary services. However, the Chinese population, mainly laborers and petty merchants, have been returning in increasing numbers, and it has been variously estimated that between 250,000 and 450,000 are now here -- I am inclined to favor the higher rather than the lower figure. Although business is generally at a standstill, food markets and low-class eating places have been opened and small gambling establishments and opium divans are being operated openly, very probably as

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a ready means of obtaining revenue. In the light of conditions, it may be said that peace and order are now being reasonably well maintained in Canton.

The military situation is not clear, the Japanese Headquarters giving out no information of any value. As has been reported, the Japanese have withdrawn from the Waichow area as well as from the Bias Bay region, as that route to Canton became valueless after the Pearl River route was opened. The easternmost city occupied by Japanese forces is Tsengshing, about 40 miles east of Canton -- Sheklung, which is an important town on the Canton-Kowloon Railway but has no military value, is said to be in the hands of the Chinese. The Japanese northern lines are between twenty and thirty miles distant from Canton and extend westward from a point south of Tsungfa to the Canton-Hankow Railway -- both Tsungfa and Fayuan (Huahsien) are now in Chinese hands. Tsungfa is in the foothills of a mountainous region in which bandits have usually been active. On the west the Japanese forces are understood to be in occupation of Samshui and Kowkong but not of Kongmoon. In the delta area directly south of Canton, territory under the control of Chinese irregulars is only about fifteen miles distant. It is believed that at the moment Japanese military activity in the area roughly described above is confined mainly to holding operations, although there are frequent reports of air-raids throughout a large part of the province, particularly in the northern

and

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and western sections. In view of the availability of water and land transportation routes and of the strategic importance of Wuchow and Nanning in Kwangsi province, it is thought that, when and if the Japanese again decide to take the offensive in South China, they will be likely to move up the West River in the direction of the cities named. In this general connection, it is of interest to note that the Japanese do not appear to have taken any steps toward opening rail communication on the fifteen or twenty miles of Canton-Hankow Railway which is within the Japanese lines. According to information believed to be reliable, there were at the beginning of December five divisions of Japanese in this area.

Information gathered at various times during the past few weeks from responsible sources is to the effect that early in December there were about 300 Japanese civilians in Canton, but that it is expected that the Japanese population in the near future will number about 2,000; that very few, if any, ronin have come to Canton, the reason given being that there was no need for their services because of the rapidity with which Canton was occupied. Japanese banks and firms are now rapidly opening offices in the native city.

A source of embarrassment to the Japanese has been the absence of influential and middle-class Chinese in Canton, a condition which has caused delay in the establishment of the local Peace Maintenance Commission and is likely to prevent the early inauguration of a provincial government. In this connection, a prominent Japanese

has

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

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has expressed the view that it is too early to give consideration to the establishment of a provincial government, as only a small part of the province is as yet under Japanese occupation. The Japanese have made various gestures, short of reopening the Pearl River to commercial navigation, toward making it easy for better-class Chinese now in Hong Kong and Macao to return to Canton. A few Chinese, notably the head of the local Peace Maintenance Commission, have come to Canton via Takao, Formosa, but that route will no doubt prove objectionable to many Chinese because it involves landing at a Japanese port and travelling by Japanese military transport. Japanese willingness to establish a special service for the carriage of mails between Canton and Macao by Japanese transports may be explained, in my opinion, mainly by a desire on the part of the Japanese to open up a more convenient avenue for the return of Chinese to Canton.

Without doubt, the position of Hong Kong as the commercial gateway of South China and a desire on the part of the Japanese to undermine that position and to embarrass the British because of the part Hong Kong played in the movement of military supplies into China are factors which have influenced and are likely to continue to influence the Japanese attitude toward the reopening of direct water, rail and postal communications between Canton and Hong Kong. The local British Consul General and interested British authorities in Hong Kong have

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

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been in touch with Japanese authorities with a view to obtaining the early resumption of normal communications between these ports, but thus far little has been accomplished. It is understood that the Japanese have expressed a desire to have their transports call at Hong Kong for the purpose of landing and taking on board Japanese passengers, but that the Hong Kong authorities have not reacted favorably to this proposal; now it is expected that with the operation of a service of small Japanese transports between Canton and Macao the importance of this facility to the Japanese has been lessened. Too, it is understood that the Japanese and British Admirals, during the visit of the former to Hong Kong, reached an agreement in principle for the operation occasionally of a British ship for carrying passengers between Hong Kong and Canton but that a subsequent British request for a semi-weekly service has to date had no favorable response--it has just been learned that arrangements for one sailing early in the year have been completed. It is also understood that at the outset the local Japanese authorities admitted in private conversations that conditions here were dissimilar to those obtaining on the Yangtze and showed a disposition to give favorable consideration to the opening of the Pearl River to commercial navigation, but owing to instructions received from Tokyo the matter was dropped; that the Japanese response to subsequent approaches in regard to this matter

has

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

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has been to the effect that the opening of the Pearl River to navigation by commercial vessels might prejudice the Japanese position concerning the navigation of the Yangtze River and therefore could not be considered at this time.

The Japanese have apparently shown no disposition whatever to discuss the resumption of rail communication between Canton and Kowloon. The long bridge across the East River at Sheklung was very badly damaged by Chinese forces prior to their evacuation, and it has been stated that the bridge will have to be relocated as well as rebuilt. As indicating lack of interest in this line at least for the time being, it may be mentioned that after the conclusion of "mopping-up" operations between Sheklung and the Hong Kong border at the end of November all Japanese units were withdrawn.

It is my impression that the Japanese have the intention of bringing into this area free of duty as military supplies considerable stocks of Japanese goods before permitting Japanese ships to be subject to Customs inspection and their cargoes to the payment of duties, as has been done notably at Shanghai and Tsingtao and possibly is already being done here. Although the Japanese may feel that their stand in regard to the navigation of the Yangtze River might be prejudiced by the opening of the Pearl River to commercial traffic at this time, it is believed that the fundamental reason for their attitude is a desire to place Japanese merchants and Japanese goods in an advantageous position vis-a-vis foreign merchants and foreign goods before per-


mitting

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

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mitting normal functioning of the Customs and normal  
navigation of the river.

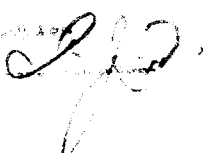
Respectfully yours,

  
M. S. Myers,  
American Consul General.

In quintuplicate to Department (Original sent by Air Mail).  
One copy to Embassy, Peiping.  
One copy to Embassy, Chungking.  
One copy to Embassy, Tokyo.

800

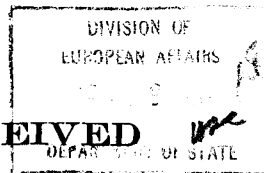
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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75



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Gray

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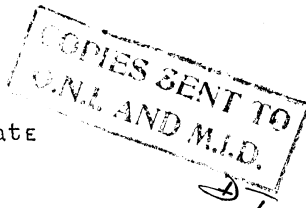
FROM

GENEVA

Dated January 17, 1939

Rec'd 7:37 p.m.

Secretary of State  
Washington



8, January 17, 10 p.m.

793.94

Wellington Koo addressed the Council this afternoon and gave an optimistic picture of the military situation in China. He stressed the determination of China to continue resistance to Japan and described Japanese objectives as conquest of China, subjugation of Asia and finally domination of the world. He described Japanese overtures of peace such as those outlined by Konoye as but sugar-coated and designed to give Japan sufficient pause to enable her not only to enjoy fruits of recent successes but to provide breathing space to prepare for further aggressions. Among other things he charged Japan was attempting to debauch Chinese people by all forms of drugs and vice and cited "impartial evidence" of American and European residents and tourists in China in support of his charges.

He described the deliberate attacks by Japan on foreign trade and investments in China and referred to repeated protests by Governments of the United States, Great Britain and France quoting largely from the American note of

DECEMBER

793.94/14615

FILED  
JAN 22 1939

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

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CA

--2--8 from Geneva...

December 31 and from the recent British note. He insisted that it has been clearly shown that unless the Chinese people remain masters of their own destiny it would be impossible to safeguard legitimate western rights and interests and that respect for China's sovereignty and maintenance of the open door are twin pillars of the Nine Power Treaty signed at Washington. He quoted at length from the President's message to Congress of January 4 and said the President "has spoken with statesmanlike courage and far-sightedness against international aggression and has proffered the cooperation of the American people in support of the cause of democracy and peace". Again quoting the President as saying that "there are measures short of war that are capable of exerting pressure against the aggressor" he asked for a boycott of Japanese goods and asked the Council to recommend an embargo on shipments to Japan of airplanes and petroleum. He also requested the Council to recommend member states to extend financial and economic assistance, and described as necessary an assurance for facilities of transit and transportation of Chinese war material. He concluded by asking that the Council institute a committee of coordination to produce the maximum effect of any measures taken by the governments of states whether members or non-members of the League, whether of assistance to China or of pressure



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CA

--3--8 from Geneva..

Pressure against Japan. If a general committee was considered unfeasible for the moment then his friends would welcome a limited committee of coordination to be composed of the representatives of governments particularly interested in the Far East.

The Council decided to adjourn consideration of the request until a further meeting.

BUCKNELL

NPL

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

DEPARTMENT OF STATE

THE UNDER SECRETARY



January 11, 1939

PA/H - Dr. Hornbeck:

FE - Mr. Hamilton:



I think you will find this memorandum interesting.

Please be kind enough to acknowledge the letter for me.

U SW:IJ



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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 16, 1939.

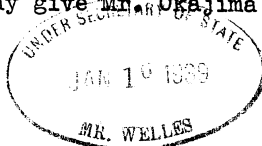
U:

Mr. Welles

Reference: printed letter addressed to  
Dr. Ernest H. Shanks by Mr. Kinya Okajima of  
Los Angeles.

Mr. Okajima's statements in regard to the  
situation in the Far East are in large measure  
inaccurate. Frequently they appear to be  
intentionally so. Other of his statements,  
which may in themselves be accurate, ignore  
certain important facts. If those facts were  
presented, they would minimize or nullify the  
significance of Mr. Okajima's contentions. His  
references to American influence in Japan and  
to Christianity appear to be prompted by a  
desire to influence his American readers to  
accept his views in regard to the Far East  
more readily than they otherwise might.

As the bias and inaccuracies displayed  
in Mr. Okajima's letter indicate that he is a  
paid propagandist, a circular letter has been  
sent him in accordance with the Act of June 8,  
1938. This, together with Dr. Shanks' letter  
to him, may give Mr. Okajima some slight pause.



FE: Salisbury: RER

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

## First Baptist Church.

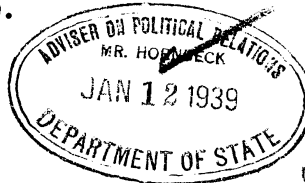
REV. ERNEST H. SHANKS, PH. D.  
Pastor

PHONE 170-R

221 W. CYPRESS AVE.  
LOMPOC, CALIFORNIA

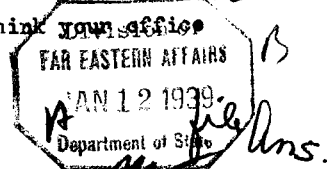
January 7, 1939.

Hon. Sumner Welles, Ass't Sec. of State  
Washington, D. C.



Dear Sir,--

I have just received the enclosed communication from Mr. Kinya Okajima, of Los Angeles, and I am forwarding it on to your office as an example of what seems to me a bit of propaganda which I think your office should have.



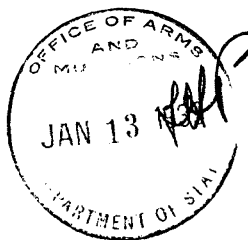
I also enclose a copy of my letter to Mr. Okajima.

Reports from our missionaries who are on the field and in close touch with Gen Chiang Kai Shek do not tally with Mr. Okajima's statements, nor do the reports from the missionaries to the Japanese people.

I hope you will give the matter due consideration, and accept my hearty approval of the stand you have taken in replies to Foreign Dictators Stand by your guns, and the country will stand by you.

Most cordially yours,

*E. H. Shanks*  
E. H. Shanks.



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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

4658 Lilycrest Avenue,  
Los Angeles, California,  
December 20, 1938.

Dear Friend:

I am a member of the Japanese Baptist Church, Los Angeles, California, having resided in the United States for forty-six years. And, as the present Sino-Japanese hostility has been a subject of my daily prayers ever since it began, I have decided to take the liberty of addressing this letter to you.

In the latter part of the year 1937 I noticed in the American papers a Shanghai telegram, saying that Kagoshima was bombed and shelled by a Chinese bombing plane. As it happened to be the town in which I spent my childhood I had a natural anxiety to ascertain the truth of the news. I spoke of it to one of my compatriots who had lived in China for many years and is acquainted with the psychology of the people of that country. "Don't believe it," he said to me, "it's just part of their propaganda programme." Later dispatches, to my great relief, have proved my friend's statement to be true.

Since this incident, I noticed many scores of conflicting stories or news concerning the Sino-Japan affair, and naturally I became anxious to solve the questions in my mind by my own investigation. I, therefore, left the United States on the second day of April of the present year for the purpose of learning the true facts pertaining to the hostility in the Far East. I spent three months and a half in Manchukuo, the North and Central China, and about two months in Japan, and I am glad to say that my trip to

the Orient has revealed to me many things that have never been mentioned before, either by press or on platform.

MANCHUKUO RULED BY PEACE

I visited Dairien, Mukden, Hsinking, Harbin, etc., and I found every city was well policed. The modernization of the City of Hsinking attracted my special attention. I was amazed at so many up-to-date buildings and wide paved streets. I saw no telephone or telegraph posts on the streets, as all the electric wires there are placed underground.

Six years ago Manchuria was a bandit-infested and lawless country, but now peace and order have been completely established in that country. Thousands and thousands of Chinese from China emigrated into the Manchu Empire to escape from the oppression of war-lords, and to enjoy themselves in the freedom of business engagements.

The history of Manchuria dates back about 4000 years B.C. In 1616 A.D., Nurhachi, an ancestor of Pu Yi, drove out the Ming Power from Manchuria, and established the great Tsing Empire, which had moved its capital to Peking in 1644, considering China a colony of Manchuria. The Tsing Empire governed the whole of China until the year 1911, at which time the father of the young Pu Yi abdicated. The independence movement, with Pu Yi at its head, therefore, was but a logical outcome of the chaotic conditions prevailing in the country nominally ruled by the Kuomintang National Government.

Manchukuo is on her way to prosperity and success, as is shown by the fact that she is importing annually from America six times more than she did before she became independent.

#### HOW PEKING WAS SPARED

In North China, I visited Tientsein, Peking, Changchiakow, and a few small villages along the railway. In every place I found the Chinese and Japanese people living side by side harmoniously.

Some time after the beginning of the present incident, Colonel (now General) Matsui commanded the division of the Japanese Army in the Peking area. He felt sad about the idea of attacking the time-honored city because of his sympathy for the people and his respect for the art and treasures stored therein. He wished to find some way by which Peking might be spared. He sent for the Reverend Mr. Y. Shimizu, a Christian minister, and discussed the matter with him. Thereupon the latter interviewed a certain Chinese minister, and drafted a petition requesting the withdrawal of the Chinese Army commanded by General Sung Che-yuan. Mr. Shimizu and the Chinese minister called upon about one hundred prominent men in Peking, and secured their signatures to the petition, which was presented to the Commander of the Chinese Army.

General Sung consented to the request of the Peking citizens. His army was withdrawn from the Peking area and Peking, with her population and all the art and treasures, were spared. Was it not a beautiful piece of humanitarian work? Some day the historians will surely comment on this great task performed by a Japanese Army officer and a Christian minister.

#### PERSONNEL OF PEKING GOVERNMENT

The personnel of the Provisional Government at Peking, with Wang Ko-min at its head, includes many able and trustworthy men.

It was established in opposition to the hate-neighbor and Communistic policy of the Chiang Kai Shek Regime. The work of the Shin Min Hui (New People's Society) is being pushed ahead vigorously and systematically. I interviewed Mr. Miu Pin, the Chief of its Department of Guidance, and I was deeply impressed with his sincerity. In the course of our conversation, in reference to the Oriental situation, he said: "To insure peace and happiness for all our people in the Eastern Asia, it is absolutely necessary for Japan and China to unite in sincere friendship. I am here to give all of my efforts, even my own life, for the accomplishment of this objective."

A new Central China Government was organized at Shanghai with the same object as that of the Peking Government. It has recently moved its offices to Nanking. The representatives from the North and Central Chinas met in Peking some time ago to deliberate the plan of amalgamating the two governments. They have held another conference recently in Nanking, according to the dispatches from the Orient.

After the fall of Canton and Hangkow it has become evident that there is going to be organized a government for South China, in opposition to Chiang Kai Shek, with the object of uniting with the other two governments in view. It will, however, require a great statesmanship to know as to whether one great unified Government is better for the welfare of China than to have a separate government in each area, north, central and south.

#### HUMANITARIAN EFFORTS

Changchiakow is a very important city, for it is the



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

gateway to the Inner Mongolia, and the headquarters for all activities in that vast area. While there, I called on General Matsui, the head of the Japanese Military Administration for that district. The impression I received from him was, that he is more like a statesman than a military leader. The first question he asked me was: "Do you not think that the Chinese people in Changchiakow are well contented?" To his question I answered affirmatively, because I found, upon my arrival there, everything was orderly, and every one was going about his or her business quietly and peacefully.

There was a Society, called "Zen Rin Kai" in the Japanese language, an English translation of which is "Good Neighbor Society." Its headquarters was formerly located in Tokyo, but now it has been moved to Changchiakow. This society was doing a splendid welfare work for and among the people in the Inner Mongolia. At the time I was there the officers and workers of the society were giving all of their efforts to the establishment of a large number of medical units to be stationed in different parts of that remote country. The object of establishing medical units is, according to Mr. Goto, the Secretary of the society, not only to give medical treatments to the Mongolians, but also to educate them in sanitation and hygiene.

I met several Japanese advisers to the local governments of the Inner Mongolia, among whom I can mention the names of Rokusuke Oniki and Komao Nakai. These two Japanese gentlemen were principally doing the humanitarian and educational work for the people living in their districts.

#### MORE CULTURAL EFFORTS

In Central China, I visited Shanghai, Hangchow, Nanking, and a few small villages.

In Nanking I saw a large Japanese hospital, maintained by Dojin Kai, or Benevolent Society (Japanese). This hospital was treating seven hundred cases of Chinese patients each day. There is also a Japanese quarantine station, dealing with epidemic diseases. Thirty-three Japanese doctors and nurses were working in this important service.

I was impressed so deeply with another cultural work while in Nanking. Chiang Kai Shek's army left his capital in devastation, like other places evacuated by them. Books and periodicals were scattered all over the city, and it was a pitiful sight. A unit of Japanese librarians was organized. Working almost incessantly for two months, they carried these books, periodicals, etc., into a large building, and after classifying, they placed these books on shelves which they had made. I went to the building and found that there were 500,000 volumes of books, not to mention a large number of periodicals and newspapers.

#### BEHAVIOR OF SOLDIERS

Contrary to what I read, I witnessed, more than once, the politeness of the Japanese soldiers. For an example, on the Shanghai-Nanking train, which was packed to more than full capacity, I saw a Japanese soldier give his seat to a Chinese woman of coolie class. I think Japanese soldiers are sometimes too severely criticized by the Westerners, due to the vicious propaganda. In any war,

one cannot expect every soldier to be blameless. During the great European War, even the American soldiers in France were criticized for their conduct towards women. As to the photographs showing the atrocity of the Japanese soldiers, which appeared in American papers, I was convinced, through careful investigation, that none of them were genuine. In every place I visited, Japanese soldiers and Chinese people were very friendly, because we have no quarrel with our Oriental neighbors. Japan is not fighting the Chinese nation, but those Chinese politicians and military lords who are trouble-makers and disturbers of the peace in the Eastern Asia.

#### GUERRILLA WAR

"Guerrilla war" is often represented as being a part of Chiang Kai Shek's war program. An American teacher in Peking told me that guerrilla wars are going to be systematically carried on for the purpose of killing every Japanese person in China. Through my investigation, however, I have learned that there is no such systematically conducted guerrilla war. It is true that one hears sometimes of a group of Chinese soldiers' assault upon Japanese people, but they are not soldiers directed by Kuomintang war lord. They are simply bandits, which are plenty in China. I passed through the vestiges of the pillaging of bandits near Peking, and, also, not very far from Shanghai. And the pillaging of these bandits is being used for propaganda purposes by the Chinese war lords, to their advantage.

#### JAPAN'S FINANCES

Sometimes a skeptical opinion is expressed by foreign observers as to Japan's ability to carry the burden of the China

incident. After having studied the figures, and having made various inquiries in relation to this subject, I have become thoroughly convinced that she can easily bear an annual expenditure of 14 to 15 billion yen. She, if forced to do so, can issue government bonds amounting to 2 to 3 billion yen several times a year, and, even then, she still has enough reserve power left.

#### ENCROACHMENT UPON JAPAN

Japan has been confronted with two gigantic difficulties ever since the opening of her doors for the nations of the world. One was the encroachment from the Powers, and the other was her population pressure. When she was introduced to the world by the United States, she discovered, to her astonishment, the great expansion of the European nations. In 1840, the Opium War was forced by the struggle of China to prevent the British from introducing opium into her ports. John Bull not only thrust the drug upon the Chinese, but wrested Hongkong from her. England's white fleet was steaming up and down along the coasts of China and Japan.

In August, 1863, the English fleet of seven men-of-war arrived off Kagoshima, and began hostilities by seizing three steamers belonging to the Satsuma clan, subsequently bombarding the forts and city. In September, 1864, the combined English, French, Dutch and American squadron bombarded Shimonoseki, the leading spirit in organizing this bombing expedition having been Sir Rutherford Alcock, the British representative. In 1875 Russia landed her troops on our Tsushima Island, and in the same year she took Sagalien Island under the beautiful guise of exchanging it for the Kurlie Islands, which, also, properly belonged to Japan.

Under such circumstances, Japan could not be blamed for putting all her efforts and power into the establishment of a national defense system. On December 28, 1872, therefore, an Imperial proclamation was issued, and therein were published the plan and details of the new national military system, carefully elaborated after a study of foreign war establishments.

Japan has been forced to fight against the encroachment of China, in 1894-5, and against the Russian aggression in 1904-5, offering up the flower of her manhood and piling a large national debt.

#### POPULATION PROBLEM

The main island of Japan has more than 50,000,000 inhabitants in an area of only 87,000 square miles. The Empire of Japan today has 71,000,000 people crowded into an area of only 147,000 square miles. The statistics show that in terms of persons per unit of arable land, Japan is the most crowded area in the world, being 2,750 persons per square mile. According to the pamphlet issued by Japan-Pacific Association, Japan's population is twice as dense as that of China, in terms of persons per unit of cultivated ground.

How to feed her population was a grave problem for her. She tried her emigration plan, with no success, because the doors of rich and productive countries have been closed against her. The continent of Australia, with an area of 2,974,581 square miles, has only 6,677,168 inhabitants, but she enacted a law not to admit any Japanese immigrants. New Zealand made a similar law when there were only three Japanese in that country. Dominion of Canada took the same attitude towards our problem of emigration, regardless of

the fact that she has only 10,376,786 inhabitants in an area of 3,466,556 square miles. Even in South Africa our people are being barred from enjoying the residential rights, while the United States closed her doors permanently against Japanese immigrants in 1924.

#### INDUSTRIALIZATION

Under such circumstances, what can Japan do for taking care of her population?

We were forced to turn our thoughts towards industrialization because of emigration failure. We manufactured articles for exportation, obtaining materials from abroad, as a means of feeding our surplus population. For a time we thought our outlook was bright, but, suddenly the customer-countries have raised their tariff walls, practically prohibiting the importation of our goods into their territories. What is there left for Japan to do?

#### SEEKING CHINA'S CO-OPERATION

There is a neighbor - China. She has plentiful resources that can be utilized. We sought her understanding and co-operation for years, so that we may obtain materials from her for our factories. But, denying us her friendship, she co-operates with Russia, allowing Sovietism to penetrate into the heart of her national life.

Chiang Kai Shek himself, Madam Chiang, and his colleagues are the whole-hearted Russian Communists, and we regard Sovietism as greatest menace to the welfare and happiness of mankind. In this connection, I would like to be permitted to express my personal opinion, for which I alone am responsible: In America, Chiang Kai

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

Shek is known as a Christian, but I cannot understand how a Christian can ally with Soviets, for Sovietism is atheism, and the Soviet destroys churches and ridicules religion.

Chiang's government not only denied us its friendship, but has positively and vigorously been carrying out anti-Japan policy. Chinese children were taught to hate the Japanese people. Boycotting Japanese goods was ordered by the Kuomintang Government. In every place in China our people were maltreated and massacred. It was busy preparing for a great drive against the Japanese, being encouraged by the flattery of certain powers, relying on the support of Russia, and underestimating our mental and material strength. Forts and ramparts were built, under the direction of the Western Military Scientists, in every strategically important area. Chiang boasted of China's gigantic army of 190 divisions, comprising 2,250,000 officers and men, further reinforced by 200,000 Communist soldiers. And, on the 7th day of July, 1937, two companies of the Chinese 29th Route Army fired upon the Japanese troops, who, under the treaty rights, were stationed near the Lukowkiao. What could Japan do under such a circumstance? What would a Western Power do under a similar circumstance?

#### OUR GRATITUDE

When Japan was forced to conclude treaties with foreign countries, she did not know what to do in the international affairs. But, God was merciful and sent a missionary to the Island Empire to help her.

Guido Verbeck, the first American missionary, arrived in Nagasaki in 1859, five years after the signing of the treaty between

the United States and Japan. He arrived there in the most interesting period of our history, eight years before the downfall of the Tokugawa Regime.

It was he who baptized, in 1866, Wakasa-no-kami, who picked up, in 1854, an English copy of the New Testament floating in the harbor. Samurais and patriots went to him to learn about the Occidental countries. Many men who took part in the restoration movement were his pupils, notably the late Marquis Okuma. After the work of restoration was completed, in the year 1868, he was called to Tokyo, the new seat of Meiji Government, to advise it as to new system of education.

Dr. Verbeck had a wonderful influence upon the Japanese statesmen and people generally. The service rendered by him as the adviser of our Department of Education shall always be remembered by our people. I remember that when I was a child I studied Solomon's Book of Proverbs, without knowing it to be a part of the Bible. The reader which I read had such a sentence as this: "God is the Ruler of Heaven and Earth, and the man is the head of the creatures."

It was he who secured for Fukui clan the services of Dr. William Griffith, who arrived in Japan in 1871, taught young men in Fukui, and later became a professor of the Tokyo University. Dr. Griffith was a great interpreter of Bushido, the Japanese code of ethics. Dr. Verbeck secured also the services of Captain Zanes for Kumamoto clan in 1874, to be the teacher of Yo-Gakko. It was through Captain Zanes' teaching and influence that the famous Hanaokayama Band was formed by his students for the propagation of the Gospel of Christ.



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Dr. Verbeck was followed by many other missionaries and teachers, among whom we find such men as Dr. Hepburns, who helped us in medical work; Clark in the Hokkaido colonization enterprize; Fenolossa in archeological work, etc., etc.

It was Townsend Harris, American minister, who advised the Japanese Government to insist upon inserting a clause in our treaty with England prohibiting the importation of opium into the domain of Japan, when the British Government protested that it was an intrusion on our part into her extra-territorial rights. It was America that trained our young men for our naval service, the Congress having concurrently passed a resolution, in 1868, to admit Japanese youths to the United States Naval Academy at Annapolis. It was the American Government that insisted on the admission of Japan into the Universal Postal Union, when no other nation was willing to do so. And America was the only nation who returned to us the Shimonoseki indemnity. One can cite dozens of other instances in which America rendered valuable service to the Island Empire. Japan owes much to America for what she is today. How can the memory of such unselfish American assistance be erased from the heart of the Japanese people, whose Bushido ethics regard ingratitude as the meanest conduct of man?

#### THE ATTITUDE OF CHRISTIANS

All of the Christians in Japan feel exceedingly sad about the conflict between China and their country. But they are aware that nothing could stop it. It was the condition of the unregenerated world that has brought China and Japan to such a point of

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

terrible struggling. China and Japan, therefore, cannot be the only nations to be blamed for the present Far Eastern disturbances. They are praying for the missionaries and their work in China. Their sympathy goes toward the suffering people both in China and Japan, and they are praying to the Heavenly Father that the hostilities may soon come to an end.

There is a Christian movement in Japan, initiated by the Honorable Daikichiro Tagawa, a Christian member of the Japanese Diet, to raise money to be used for reopening the Christian Mission Schools and Colleges in China, and the writer is praying for its success.

May God bless abundantly the American churches which have sent missionaries to Japan and China. The words of God which they have planted in the hearts of these two Oriental peoples can never be plucked out, and soon there will be the time when the children of God in both countries shall unitedly work for the salvation and welfare of all people in the Oriental countries.

In conclusion, I wish to thank you for the attention you have given to this letter, and to ask you to pray for the suffering people both in China and Japan.

Sincerely yours in the Lord,

*Kinya Okajima.*

P.S. Should you be able to give me an opportunity to address your church or any meeting on this subject, I will be very grateful for your kindness.

Kinya Okajima.

## First Baptist Church.

REV. ERNEST H. SHANKS, Ph.D.  
PASTOR

PHONE 170-R

221 W. CYPRESS AVE.  
LOMPOC, CALIFORNIA

JANUARY 7, 1939.

Mr. Kinya Okajima,  
4658 Lily Crest Avenue,  
Los Angeles, California.

Dear Sir,--

I have received your communication under date of December 20, 1938, and apparently sent to Baptist Ministers generally, making a defense of Japan's invasion of China.

I am not a little surprised at your attempt to justify Japan's conduct of war against the Chinese people, and I am disappointed that you should do so under the claim of membership in a Baptist Church. It seems to me that you wish to protect yourself by advertisement of the fact of church membership.

The most disappointing part of your letter is the absence of substantial proof of your assertions that Japan is engaged in a humanitarian war, for the good of China. Your argument from claims of prosperity in Manchukuo is rather beside the question. The peaceful conditions at Peking do not in any manner support your claims of justifiable invasion.

That Japanese have been excluded from other countries does not form a basis for war with China. You cite New Zealand as instance of such exclusion, at a time where there were but three Japanese in the Islands. May be you do not know that for years New Zealand has excluded ALL foreigners, except British, from settlement there.

You charge General Chiang Kai Shek and his wife, Madam Chiang of being Russian Communists, and give not the slightest proof of their being such. That General Chiang may have certain Communist units in his army does not prove that he is a Communist. You challenge his Christian faith, but give no reason for your challenge, beyond the fact that you cannot understand it. Perhaps you do not know all the facts.

I regret this bit of Japanese propaganda, and that it is assumedly put out by the claim of Baptist Church membership. What I would like to know is, Who paid the expenses of such an expensive trip as you made to ascertain the facts you record? What opportunity did you have or seek to have to get the other side of the question? What opportunity you had of getting the real facts from the Christian missionaries who are in the thick of the war? What connection you have with the Japanese government? and who is back of the issuing of your statement?

No one can ever censure the writer as being unfriendly to the Japanese people, either in America or in Japan. I have always been an ardent supporter of missions here and there. I do not believe the Japanese Christians are happy over this war, or in sympathy with it.

I am replying to your communication, not for the purpose of argument, or to provoke a series of replies and prolonging a debate, but to let you know that I for one look upon your effort as unhappy and untimely, and altogether unfortunate, and I shall regret the day that American should back down and accept Japan's New Policy in the Far East.

Most sincerely yours,

E. H. Shanks.

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

In reply refer to  
 FE

My dear Dr. Shanks:

The receipt is acknowledged of your letter of January 7, 1939, with which you enclose a communication addressed to you by Mr. Kinya Okajima which purports to contain his opinions on the situation in the Far East. You also enclose a copy of your reply to Mr. Okajima.

I have read with interest your letter and the enclosures and due note has been made thereof.

I can assure you that your courtesy in making this material available to us, as well as your kind expression of endorsement of action taken by the Department, is very much appreciated.

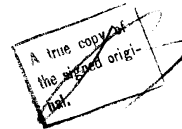
Sincerely yours,

Samuel H. Hays

Under Secretary

The Reverend

Ernest H. Shanks, Ph.D.,  
 First Baptist Church,  
 221 West Cypress Avenue,  
 Lompoc, California.



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

TELEGRAM RECEIVED

EDA

<sup>1-1336</sup>  
This telegram must be  
closely paraphrased  
before being communi-  
cated to anyone (BR)

FROM: INGTAO VIA N.R.

Dated January 18, 1939

Received 7:45 a.m.

Secretary of State

Washington

*of paraphrase*  
COPIES SENT TO  
O.N.I. AND M.I.D.  
*in confidence D*

*for file*  
Division of  
FAR EASTERN AFFAIRS  
JAN 18 1939  
Department of  
*WA*

13, January 18, 1 p.m.

There are reports of heavy Japanese troop movements  
on railway and that decisive action against guerrilla  
in the heart of tobacco growing region will shortly be  
under way.

SOKOBIN

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JAN 21 1939  
RECEIVED

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

CONFIDENTIAL

ConfidentialPARAPHRASE

A telegram (No. 13) of January 18, 1939, from the American Consul at Tsingtao reads substantially as follows:

It is reported that a large number of Japanese troops is being moved on the railway and that there will soon be in progress in the heart of the tobacco growing area decisive action against guerrillas.

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

*file*  
**LEGAL ADVISER**  
 2 JAN 20 1939

EDA **TELEGRAM RECEIVED** DEPARTMENT OF STATE

CHUNGKING VIA N.R.

1-1326

FROM Dated January 18, 1939

Received 7 a.m.

Secretary of State

Washington

37, January 18, 9 a.m.

793.94

The Chinese press here today publishes reports under Nanchang headline of January 17 to the effect that the Japanese carried out two ~~air~~ raids on Kuling on the afternoon of January 16. According to these reports bombs were dropped in the residential section of Kuling including the vicinity of the Government Library and the American School without serious material damage resulting. One foreigner of British nationality is reported to have been injured.

Embassy is without means of confirmation the foregoing reports.

Repeated to Peiping, Hankow, Shanghai.

PECK

DDM

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JAN 20 1939

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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. (br)

FROM

Tsingtao via N. R.

Dated January 18, 1939

Rec'd 7:45 a.m.

Secretary of State,  
Washington.

*of paraphrase*  
COPIES SENT TO  
S.N.L. AND M.I.D.  
*in confidence*

Division of  
FAR EASTERN AFFAIRS  
JAN 18 1939  
Department of State

12, January 18, noon.

It is reported that Japanese Special Military Mission  
in Tsingtao will soon give way to an office of Japan's Asia  
Affairs Board in all matters not relating to preservation  
of public order, and that in matters relating to the  
question of control of trade, as for example Shantung  
leaf tobacco marketing, the Board will have authority.  
Paraphrase to Tokyo by mail.

SOKOBIN

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JAN 21 1939

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

CONFIDENTIAL

Confidential

PARAPHRASE

A telegram (No. 12) of January 18, 1939, from the American Consul at Tsingtao reads substantially as follows:

There are reports to the effect that within a short time an office of Japan's Asia Affairs Board will take the place of the Japanese Special Military Mission in Tsingtao in regard to all questions not connected with the maintenance of public order and that the Board will have authority in regard to matters connected with the control of trade, such as marketing of Shantung leaf tobacco.

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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 P.R./132 FOR # 3521

FROM Japan ( Grew ) DATED Dec 20, 1938  
TO NAME 1-1127

REGARDING: Sino-Japanese relations: developments, in summary, for the month of Nov., 1938.

FRG.

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

(1) China.

(a) Military Operations.

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17-19  
With the accomplishment of the two immediate major objectives, the capture of Hankow and Canton, during the month of October, Japanese military operations in China for the month of November were largely confined to what are considered to be preparatory operations, presumably for a further advance. Attempts were made to consolidate recently occupied areas and strenuous efforts were exerted to "mop up" the guerrilla remnants within the occupied areas. The entire month represented a distinct lull in active military operations.

After the capture of Hankow, certain units of Japanese forces turned southward on the Hankow-Canton Railway and succeeded in occupying Yochow on the 11th. The further objective was reported to be Nanchang. South of Teian, Japanese and Chinese forces continued to face one another along the Hsiushui River but hostilities were not particularly active. North of Hankow the Japanese forces carried out operations along the slope of the Tapiieh Mountains and west of the railway in order to dispose of remnants of the Chinese forces which had been

surprised

\* The Embassy's representations were forwarded to the Department with the following despatches which are listed in order to correspond with the above representations respectively:  
Embassy's despatches No. 1112, Nov. 7; 1113, Nov. 7; 1114, Nov. 7; November 28, No. 1132.

-15-

surprised and caught by the rapid Japanese movement up the Yangtze River.

In South China military operations were largely devoted to the consolidation of the hastily occupied areas around Canton and the "cleaning up" of remaining forces in the delta areas south of Canton.

In spite of many reports which indicate that a determined Japanese offensive was to be undertaken in Shensi the fighting in that area was of a desultory nature. During the month of November a considerable number of campaigns against guerrillas operating in the occupied areas was reported.

On November 11 General Moto-o Fusho, reportedly in ill health, was relieved as Supreme Commander of the South China forces by Lieutenant General Rikichi Ando.

(b) General.

With the possible exception of the military operations there were, of course, no relations between Japan and the recognized Government of China. However, Japan continued to announce plans for and to undertake various activities looking to the consolidation and development of Japan's new position in the occupied areas. It was announced in the latter part of October that the formal inauguration of the official companies for China was to take place on November 7.\* The inaugural meeting was held as scheduled and activities for the effecting of Japan's plans with regard to economic reconstruction and exploitation of China were officially begun.\*\* The activities of these companies will undoubtedly, in the first instance, be directed toward harbor, communication, transportation and public utility facilities. At the same time wherever possible, preparation will be made for the exploitation of natural resources. As has already been reported, several subsidiary companies,

such

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\* Embassy's despatch No. 3414, November 4, 1938.

\*\* Embassy's despatch No. 3504, December 3, 1938.

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

-19-

such as the North China Telephone and Telegraph Company; the Central China Telecommunications Company, and the Kachuo Electric Industry Company, have been formed and are functioning in China at the present time.

There was considerable talk concerning the formation of the projected "economic bloc" comprising Japan, "Manchukuo" and China. An economic conference was held in Tokyo concerning this subject. Leading officials and businessmen in financial, trade, and transportation circles took part. The Tokyo Conference ended on November 22. Other similar conferences were scheduled to be held shortly thereafter in Osaka and Moji.

It was reported on November 20 that Mr. Yosuke Matsuoka, President of the South Manchuria Railway Company, is soon to resign that position and to become the highest adviser to a new Central Government which is to be established in China. Negotiations undoubtedly under Japanese tutelage were held during the month of November between the Nanking and Peiping temporary Governments but no successful conclusions were forthcoming.

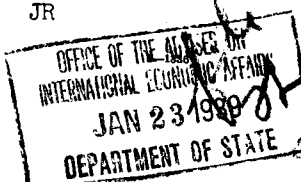
Various articles and newspaper stories appearing from time to time seem to indicate that Japan has not yet been able to formulate detailed and concrete plans for the exploitation of China and the formation of the new "economic bloc". It appears that even the Japanese themselves are not yet aware of the extent to which they can establish a new economic system in East Asia and that the details of their plans have not yet been settled.

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

*Copy sent to  
Treasury*

## TELEGRAM RECEIVED

JR



FROM

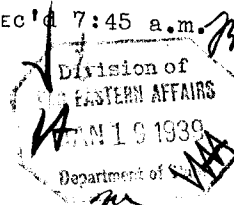
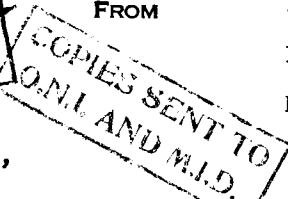
GRAY

Peiping via N. R.

Dated January 19, 1939

REC'd 7:45 a.m.

Secretary of State,  
Washington.



37, January 19, 4 p.m.

As a further factor in economic cooperation between Japan and the occupied areas, announcement is made in the local press of the forthcoming inauguration of an East Asia Economic Union in which Chinese and Japanese commercial and financial organizations will participate as well as representatives of the provisional and reformed "governments" and the Japanese military. The purpose of the organization will be the exchange of economic and financial information through meetings such as were held in Tokyo, Osaka and Hsinking last year and it is reported that offices of the organization will be established in Japan (Tokyo, Osaka and Kyushu), "Manchukuo" (in north and south Manchuria and Dairen), China (Peiping, Shanghai and Canton) and Mongolia (Kalgan).

Repeated to Chungking, Shanghai. Mail text to Tientsin, Canton, Dairen, Tokyo and Mukden.

RR:WWC

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JAN 24 1939

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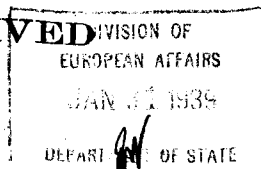
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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

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TELEGRAM RECEIVED

JR 1-1336  
A portion of this telegram must be closely paraphrased before being communicated to anyone. (C)

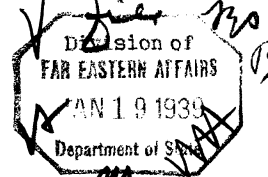
FROM



Geneva

Dated January 18, 1939

Rec'd 10:30 p.m.



Secretary of State,  
Washington.

10, January 18, 11 p.m.

My telegram No. 8, January 17, 10 p.m.

793.94  
**Strictly Confidential.** I was informed in strict confidence by a member of the Chinese delegation that the Chinese delegation presented the following draft resolution to a secret session of a Council Subcommittee this afternoon which consisted of France, Great Britain, Yugoslavia, U.S.S.R., China with Munters (Latvian) as President:

(SPECIAL GRAY) "Part one. The Council.

Referring to its report adopted on September 30, 1938 relating to the appeal of the Chinese Government.

Recalling the terms of the resolutions adopted by the Assembly on October 6, 1937 and by the Council on February 2 and on May 14, 1938, notably those of the Assembly resolution of October 6, 1937 which expresses its moral support for China, and recommends that members of the League should refrain from taking any action which might

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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- #10, January 18, 11 p.m., from Geneva. .

might have the effect of weakening China's power of resistance and thus of increasing her difficulties in the present conflict, and should also consider how far they can <sup>individually</sup> (A) extend aid to China.

WPS  
3/28/39

Having heard the statement of the Chinese representative in regard to the present situation in the Far East, and outlining certain proposals of the Chinese Government.

Taking note of the fact that a number of states have been taking individual action in aiding China.

Invites the member states, particularly those directly concerned in the Far East, to institute a committee for the study and coordination of effective measures respectively of aid to China and of pressure against the aggressor, including the following.

One. . Economic and financial assistance to China . for certain purposes including the development of the Southwestern Provinces of China and the relief of Chinese refugees.

Two. . Removal of restrictions prejudicial to the transport and transit of arms, munitions, or other war materials destined for China. .

Three. . Embargo on arms, munitions, aeroplanes, petroleum, iron and other materials essential for Japanese war purposes; and

Four. .



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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- #10, January 18, 11 p.m., from Geneva.

Four. Prohibiting of the importation of goods or products of Japanese origin or manufacture.

PART TWO. The Council.

Recalling the terms and principles of the Nine Power Treaty and of other international agreements to which a number of states, including China and Japan, are parties;

Reaffirming the principle of the sanctity of treaties;

Taking note of the statement of the Chinese representative in which he referred to the American note of December 31, 1938, and the British note of January 14, 1939, which the two governments respectively addressed to the Japanese Government:

(a) Repudiating Japan's claim to establish a "new order" in the Far East;

(b) Confirming the fact that the Nine Power Treaty constitutes "an arrangement for safeguarding, for the benefit of all, the correlated principles on the one hand of national integrity and on the other hand of equality of economic opportunity";

(c) Stating the intention "to adhere to the principles of the Nine Power Treaty":

Declares that the claims of the Japanese Government  
 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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-4- #10, January 18, 11 p.m., from Geneva.

to establish a new order in the Far East prejudicial to the national sovereignty and territorial integrity of China and to the equality of opportunity of all nations in commerce and industry are incompatible with the principles of the Nine Power Treaty of Washington and other international instruments to which Japan is a party, and also detrimental to the general interests of peace." (END SPECIAL GRAY)

My informant stated that British and French opposed part one of the draft particularly proposal for committee, and points three and four. They appeared, however prepared to accept a reiteration of the recommendation of the council of February 2, 1938, with the omission, however, of any reference to "consulting with other similarly interested powers."

British and French also rewriting part two as a whole. They specifically objected to reference to American and British notes on grounds that this would embarrass American Government and might prejudice current diplomatic negotiations (French note to Japan was said to be on its way).

Subcommittee meets tomorrow at 3 o'clock further to consider the entire matter.

BUCKNELL

HPD:WMC

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

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# TELEGRAM RECEIVED

ME

A portion of this message  
must be closely paraphrased  
before being communicated to  
anyone. (C)

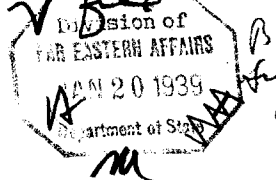
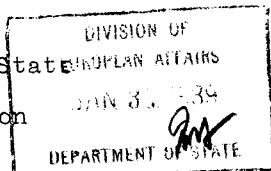
Geneva

Dated January 19, 1939

Rec'd 5 p. m.

793.94

Secretary of State  
Washington



11, January 19, 6 p. m.

My telegram No. 10, January 18, 11 p. m.

STRICTLY CONFIDENTIAL.

A member of the Chinese delegation has informed me in strict confidence that the Council Subcommittee adopted the following resolution in secret session this afternoon:

(GRAY) "The Council referring to its report adopted on September 30, 1938, relating to the appeal of the Chinese Government;

Recalling the resolutions adopted by the Assembly of October 6, 1937, and by the Council of February 2 and on May 14, 1938;

Recalling notably the terms of the Assembly resolution of October 6, 1937, which expresses its moral support for China, and recommends that members of the League should refrain from taking any action which might have the effect of weakening China's power of resistance and thus of increasing her difficulties in the present conflict, and should also consider how far they can individually extend aid to China; and the terms of the resolution of February 2, 1938, which

EXPRESSES

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

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ML -2- Geneva Jan.19,1939 5 p.m. #11

expresses the Council's confidence that those states represented on the Council for whom the situation is of special interest will lose no opportunity of examining in consultation with other similarly interested powers, the feasibility of any further steps which may contribute to a just settlement of the conflict in the Far East;

Having heard the statement of the Chinese representative in regard to the present situation in the Far East in which he rejected Japanese pretensions to the establishment of a new order in Eastern Asia, and outlined certain proposals of the Chinese Government;

Taking note of the fact that a number of states have been taking individual action in aiding China;

Invites the member states, particularly those directly concerned in the Far East, in consultation with other similarly interested powers should this appear appropriate, to examine the proposals made in the statement of the representative of China before the Council on January 17th 1939, for the taking of effective measures, especially measures of aid to China". (END GRAY)

This resolution will probably be presented to a full meeting of the Council tomorrow morning;

My informant stated that in the last paragraph in the reference to consultation the phrase "should this

appear

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

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ML -3- Geneva Jan.19,1939 5 p.m. #11

appear appropriate" was designed to avoid any embarrassment to the American Government. A member of the Yugoslav delegation in speaking of the meeting this afternoon said that the revision of the original draft resolution had been accomplished in order not to prejudice "current diplomatic negotiations between Great Britain, France and the United States".

BUCKNELL

HPD

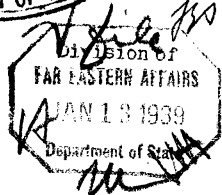
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 Department of State letter, August 10, 1972  
 By Milton D. Gustafson NARS, Date 12-18-75

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 OSD Date: May 3, 1972  
 By 793.94 NARS Date: 3/14/72



U-2 Digest of Information  
 Sino-Japanese Situation  
 December 30, 1938 - January 13, 1939



NOTE: Situation Map does not accompany this report.

# 1. MILITARY OPERATIONS.

a. While no large-scale operations have been undertaken by either the Chinese or Japanese, the intensity of fighting has increased somewhat in the past fortnight.

b. The Japanese have embarked on a rather large-scale expedition in Eastern Shansi, aimed at clearing out Chinese forces east of the Yellow River and between the Yen and Lichihshui Rivers. Good progress has been made against rather stiff Chinese resistance, but the entire area has not yet been cleared. This operation can be interpreted either as a prelude to a later offensive against Yenan, capital of the so-called Communist government, or it can be regarded as essentially a police measure, designed to push the organized guerrilla bases across the Yellow River. Chinese military circles are still expecting a large-scale Japanese offensive in the Northwest, aimed at Sian, Yenan and perhaps Lanchow.

c. On January 8 the Chinese launched a local offensive against Hangchow, long a quiet sector. The attack seems to have been repulsed, with considerable losses on both sides.

d. It is now believed that Japanese mopping-up activities to the north of Hankow have required more men and munitions than was first appreciated. The Japanese have just announced the consolidation of their hold in this area and claim significantly few Chinese losses.

e. The guerrilla situation has continued substantially unchanged. On the night of January 11-12, guerrillas executed a spectacular raid against the Peiping-Tientsin Railway, about half way between the cities named. The line was out and traffic interrupted for over a day. The force employed was said to consist of about 500 cavalry, probably a regiment. The moral effect of this small operation obviously exceeded any material results obtained.

# 2. MISCELLANEOUS.

a. On December 31, U. S. Ambassador Crow presented a lengthy note to the Japanese Government in rejoinder to the Japanese note of November 18. The note bluntly reiterated the assertion that Japanese

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discrimination against third-power interests in China continues and closes with a reservation of "all rights of the United States as they exist" and a refusal to "give assent to any impairment of any of those rights." In its body the note refused to consider the Japanese thesis of a "new order in Asia," holding that the so-called "new order" was primarily the result of Japanese unilateral and arbitrary action and that ample provisions are available in existing treaties and agreements for the peaceable and orderly recognition of changed conditions in China. The note was made public by the United States Government on the day of delivery.

The Japanese Government has made as yet no reply to the note. However, on January 1 Foreign Minister Arita in a New Year message to the nation reaffirmed the "new order," thanked Germany and Italy for understanding Japan's position and criticized those powers (by inference Great Britain and the United States) who have adopted "policies of open assistance to the Nationalist Government of China" and who "are trying to readjust the new situation created by the hostilities on the basis of anachronistic ideas."

b. On January 10 the "United Council of the Government of the Republic of China" issued a public statement in Peiping repudiating the United States and British loans to the Chinese Central Government. This obvious step came later than was expected. It is of interest chiefly as indicating a comparative increase in the prominence of the "United Council."

c. On January 10, according to a Rome dispatch from Moscow, the Soviet Government announced its intention of putting up for public auction about February 1 the fishing lots of Siberia which previously had been allocated to Japan.

d. On January 9 Hungary formally recognized "Manchukuo."

e. Shortly after the New Year it was disclosed that Wang Ching-wei had telegraphed Chiang Kai-shek on December 29 that Premier Kono's statement of peace terms, as published on December 23, was an adequate basis for peace negotiations and that negotiations should be initiated on that basis. Wang emphasized the prospective benefits of eliminating extraterritoriality and other foreign rights in China and made the stipulation that one essential point necessarily must be the limitation of Japanese garrisons in China to the Mongolian border. The proposals for economic cooperation and membership in the anti-Comintern bloc received his complete approval. Wang has been divested of his posts and honors and the Chinese National Government has received a flood of communications condemning Wang and pledging loyal support to the Chungking regime. Wang has been followed into exile by a few supporters, none of high rank or influence. Reliable reports indicate that certain high Chinese officials of doubtful loyalty are being watched closely but that no extensive reprisals or punitive measures have been taken by the Chinese Government.

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f. On January 4 Premier Konoye of Japan resigned and Baron Hiranuma succeeded him as Prime Minister. The cabinet was remodeled. The most significant changes were: the resignation of Finance Minister Ikeda and Admiral Suetsugu, Home Minister. Equally significant was the continuation in the cabinet of General Itagaki and Admiral Yamai as Ministers of War and Navy, respectively, of Prince Konoye himself as Minister without Portfolio, and of representatives of the Meiyukai and Minseitō parties.

3. COMMENT.

a. The prompt publication of the United States' note of December 31 undoubtedly has been interpreted in Japanese official circles as a pressure measure, emphasizing our dissatisfaction with Japanese conduct in the Orient and with their replies to our protests.

b. Wang Ching-wei's flight from Chungking obviously had been carefully planned and maturely considered. This has given rise to the report, believed to be well founded, that his action had been coordinated with Prince Konoye's pronouncement of December 22. At the news of Wang's departure speculation occurred all over China as to whether he was really deserting or whether he actually was an authorized agent of Chiang Kai-shek and the Central Government, commissioned to feel out the realities behind the Japanese peace proposals. The lack of strong punitive measures against his followers gave some color to this belief. However, informed opinion at present tends to believe that Wang is acting for himself and at most a small personal faction. Persistent rumors circulate that a conference at Hongkong impends or is in progress between General Doihara and Wang Ching-wei. Each of the two has been reported variously as being en route to Hongkong and as actually arriving there, but to date no confirmation has been received. The occurrence of such a conference would be reasonable regardless of whether Wang's status is that of an individual or of a representative.

c. When the Konoye cabinet fell and Baron Hiranuma acceded to the post of Premier, the belief was widely current that the Japanese Governmental structure was about to be recast toward totalitarianism, probably to the extent of abolishing political parties. This idea was founded on Hiranuma's known character, his long avowed chauvinism and his previous advocacy of a one-party state. However, when Prince Konoye accepted a portfolio, when Admiral Suetsugu, himself a fire-eater, was ousted, and when representatives of the Meiyukai and Minseitō parties were included in the new cabinet, this belief began to wane. It is now thought that Hiranuma's regime portends a shift to the right but not to the extreme right. It is estimated that the fighting services, particularly the Army, are more firmly entrenched in power and that the National Mobilization Law will be put into effect more completely, particularly those sections giving the Government power to direct and control investments. This view is borne out by the retention of War Minister Itagaki, probably the cabinet's "strong man," and the resignation of Finance

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1564  
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By Milton D. Gustafson NARS, Date 12-18-75

Minister Ikeda, who long has been associated with Japanese big business. Incidentally Ikeda's financial skill probably will be greatly missed in the conduct of Japanese Government. There can be no question but that the cabinet crisis was fundamentally attributable to the strain of the war on 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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EDA

GRAY

1-1336

TOKYO

FROM

Dated January 20, 1939

Received 12:15 a.m.

Secretary of State

Washington

29, January 20, 10 a.m.

One. A press despatch under New York dateline of

January 17, discussing the significance of the return to the United States of Ambassador Johnson, states that the American Government will not modify its attitude of insistence on observance of the Nine Power Treaty; that the Government feels that nothing is to be gained by continuing to send notes to Japan; and that it will proceed toward considering ways and means to apply economic sanctions against that country. In the latter connection, it is stated that the ultimate decision of the American Government will be largely influenced by Johnson's report on the capacity of China to maintain resistance, on the views of the Chinese Government and on the morale of the Chinese people.

Two. Further despatches published yesterday evening and this morning state that Johnson called at the

Department

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Division of  
East Asian Affairs  
JAN 20 1939  
Department of State

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

EDA - 2 - #29, January 20, 10 a.m. from Tokyo

Department and submitted an optimistic report on  
conditions in China.

Cipher text by air mail to Peiping for repetition  
to Chungking.

GREW

CA

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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. Tsingtao/125 FOR #385 to Embassy

FROM Tsingtao ( Sokobin ) DATED Dec 7, 1938.  
 TO NAME 1-1127 ...

REGARDING: Sino-Japanese situation: developments, in summary, for the  
 month of Nov., 1938.

FRG.

793.94 / 14626

14626

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

3. Japan.

a. Military Position in Tsingtao.

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(8810-12)

As impressive as was the number of Japanese troops in Tsingtao in September and October before the Canton campaign was undertaken, equally impressive was the paucity of Japanese troops in Tsingtao in November. It may be said that the Japanese held this port with a mere handful of soldiers, one cruiser and a very small contingent of marines (Special Landing Party). The military occupation of Tsingtao in its outward aspect appears to have been reduced to a minimum. For the reduction of Japanese armed forces in Tsingtao reasons may possibly be found in (1) an increasing feeling...

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\*See Tsingtao's despatch no. 179 of February 17, 1937, file no. 610.22, subject: Semi-Official Participation in Peanut Trade of Tsingtao.

- 11 -

feeling of confidence that there is little probability or even possibility of an attack on the city by any Chinese force of sufficient dimension to create a real threat; (2) the slowly but gradually widening area in Eastern Shantung which is being pacified if not directly by the Japanese, by Chinese mercenaries under the Japanese aegis and from which area guerrillas are removed; (3) Japanese realization that for a restoration of the fully normal economic life of the port a feeling of confidence must be inspired among the Chinese - a feeling which could hardly prevail so long as armed Japanese were present on all sides; (4) possible transfer of the Japanese troops from Tsingtao to points in Western Shantung where there is still guerrilla activity, and possibly transfer to other battle fronts elsewhere in China.

b. Recall of Head of Japanese Naval Mission.

Some importance was attached to the recall of Captain Ishikawa, Chief of the Japanese Naval Special Mission in Tsingtao. As head of this Mission Captain Ishikawa was an important figure because of the action taken in controlling the trade and shipping of the port. It was reported in some circles that his transfer was not unconnected with the protests of the foreign powers, particularly the United States, against the interference with and restrictions on trade at Tsingtao. It was also rumored that Japanese merchants

were...

- 12 -

were likewise dissatisfied with the Mission's activities which had resulted in a deflection of trade from Tsingtao to Tientsin.

c. Japanese Premier's Proclamation in Tsingtao.

Considerable publicity was given in Tsingtao to the Japanese Premier's statement of November 3, 1938. Large proclamations in Chinese were posted throughout the city and attention drawn to the statement in the press. Whatever the common people may feel, there is good reason to believe that the Chinese connected with the Tsingtao Peace Maintenance Commission comprehend the meaning of the Premier's reference to "a new order in the Far East".

d. Free Entry Period for Reconstruction Materials Extended.

The Japanese industrial and mining enterprises which were destroyed by the Chinese authorities in December 1937 prior to the Chinese withdrawal from Tsingtao were also during the month to obtain a three month extension of the period of free entry for materials required for the reconstruction of those enterprises.\* Free entry is granted upon certification by the Japanese consul general in Tsingtao that the materials are for the reconstruction of Japanese enterprises which have been destroyed, and applies to all materials regardless of origin so certified.

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\*See Tsingtao's telegram no. 25 of November 28, 10 a.m.

- 13 -

It is understood that no abuse of this free entry privilege has been detected.

e. Japanese Plans for Cotton Control in Shantung.

A notable development during the month was the announcement that plans were being formulated to control the distribution and the transportation of raw cotton produced in Shantung and North China generally\*. The plans were deemed necessary by the Japanese to secure an equitable distribution for the Japanese spinning mills in Tientsin, Tsingtao, Shanghai and in Japan. Because of the destruction of Chinese cotton mills and because of reduced spindlage in the Japanese mills as a result of destruction in Shanghai and Tsingtao, principally at the latter port, even allowing for the reduction in the 1938 crop, supplies of cotton for the Japanese mills in China would not be greatly deficient were it not for the requirements of the mills in Japan. However, a shortage has resulted with the effect of raising raw cotton prices by almost fifty per cent compared with the prices obtaining here early in summer.



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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/140 FOR #43 to Embassy

FROM Chefoo (Roberts) DATED Dec 12, 1938  
TO NAME 1-1127 \*\*\*

REGARDING: Sino-Japanese conflict. Developments for month of Nov., 1938.

FRG.

793.94/ 14627

14627

2. Japan:

(a) Military Situation.

793.94  
There was no change in the military situation during the month. The Japanese and Chinese troops supporting the Provisional Government continued to hold Chefoo, eihaiwei, Fushan and Huping. No guerrilla attacks on Chefoo took place during the month, probably due to the fact that there was fighting between the guerrillas and outposts have been established at Fushan and Huping.

(b)

- 9 -

(b) Dissension in Guerrilla Camp.

Around Tengchowfu the Chinese guerrillas operating against the Japanese have been fighting among themselves. Dissension broke out on October 21 and continued up until November 6 with the city army of Tengchow besieged by so-called invaders or outsiders. The city army is part of the Eighth Route Army said to be in control of Tengchow and the helen to the west of Tengchow. The invaders are believed to have been acting under the orders of the governor appointed by the Central Government. A truce was reached after some fifteen days fighting under which both sides agreed to retreat from Tengchow after which the invading army was permitted to enter Tengchow.

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

5361

## TELEGRAM RECEIVED

JR

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

FROM

Chungking via N. R.

Dated January 20, 1939

Rec'd 7 a.m.

CONFIDENTIAL  
SENT TO  
O.N.I. AND M.I.D.  
in confidence

Secretary of State,

Washington.

44, January 20, 9 a.m.

CONFIDENTIAL.

In conversations with foreign military observers the Embassy has been impressed with their feeling that the Chinese soldier can hardly be surpassed for heroic endurance of hardship and suffering, indifference to danger and loyal obedience to orders but that Chinese officers, especially those in the higher ranks, lack both enterprise and cooperative qualities. Such observers find deplorable absence of organization and coordination even in the air service which at present has the most important duties to perform of any branch. On the other hand the newly arrived French Military Attache has informed me that whereas the French authorities in Indo China told him that the Chinese Government was in a chaotic condition bordering on anarchy he had been agreeably surprised to find them organized and operating efficiently.

End Section One. Repeated to Peiping.

RR:YWC

PECK

793.94/14628

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

5362

AC **TELEGRAM RECEIVED**

This telegram must be  
closely paraphrased be-  
fore being communicated  
to anyone<sup>-1338</sup> (Br.)

Chungking

Dated January 20, 1939

FROM

Rec'd, 7 a.m.

Secretary of State

Washington

44, January 20, 9 a.m. (SECTION TWO)

While he felt discouraged at the lack of <sup>team?</sup> (?) work in  
the Chinese military set up and as do other military  
attaches, the strange reluctance of high Chinese military  
authorities to permit any foreign insight into their  
military operations and methods, he felt that the Chinese  
cause was by no means hopeless because of his conviction  
that the Japanese are beginning to feel exhaustion after  
their enormous efforts, and that while they are approach-  
ing within measureable distance of depletion of available  
man power Chinese human resources are practically unlimited.  
He had found Chinese soldiers as far as he had observed  
them well instructed and well equipped while ammunition  
appeared abundant for an indefinite period.

Repeated to Peiping. (END OF MESSAGE)

PECK

DDM:PEG

0576

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

CONFIDENTIAL

Confidential

P A R A P H R A S E

A telegram (No. 44) of January 20, 1939, from the American Embassy at Chungking reads substantially as follows:

Foreign military observers find that, even in the Chinese air service which has the most important duties to perform of any branch at the present time, coordination and organization are lacking to a deplorable extent. The Embassy has been led to feel in conversations with these observers that, although Chinese military officers, especially the higher ranking ones, lack the qualities of cooperativeness and enterprise, the common soldiers could scarcely be excelled for indifference to danger, loyal obedience to orders, and heroic endurance of suffering and hardship.

The French Military Attaché who has just arrived in Chungking has on the other hand informed the Embassy that he has been pleasantly surprised to find the Chinese Government organized and carrying on in an efficient manner as he had been informed by the French authorities in Indochina that a condition of chaos, almost of anarchy, existed in the Chinese Government. As far as the French Military Attaché had observed, there was plenty of ammunition to last for an indefinite length of time and  
the

793.94/14628

0577

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-

CONFIDENTIAL

the Chinese soldiers were well equipped and well instructed. The lack of (?) work in the setup of the Chinese military organization discouraged him. He was discouraged also, as other military attachés are, on account of the peculiar unwillingness of the high ranking Chinese military to allow any insight by foreigners into their military methods and operations. Nevertheless, he did not look upon China's cause as hopeless by any means on account of his belief that after their stupendous efforts the Japanese are beginning to feel exhausted and that although the Japanese are coming within measurable distance of exhaustion of usable man power there is practically no limit to Chinese man power.

793.94/14628

89.C.  
FE:EC:JPS  
1-21-39

FE  
new

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

5353

V.R.M.  
R.R.

# TELEGRAM RECEIVED

rr

1-1836

FROM

GRAY

Geneva

Dated January 20, 1939

Rec'd. 1:30 p.m.

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

Secretary of State,  
Washington.

13, January 20, 4 p.m.

My telegram No. 11, January 19, 6 p.m.

The Council in public session today adopted the draft resolution concerning the Chinese appeal with a few unimportant changes in phrasing.

New Zealand representative while regretting the weakness of the draft resolution accepted it since it was at least a slight advance on previous resolutions.

Russian delegate associated himself with the request made by China; reaffirmed the readiness of his Government to participate in any measures taken by the League to assure the collective security which had been so much disparaged and said that the draft resolution while it did not go far enough, nevertheless, presented a certain amount of progress.

British representative expressed his sympathy for the sufferings of the Chinese people and said that the British Government desired to come to the aid of the Chinese Government to the greatest possible extent.

Since

793.94/14629

F/FG

1575

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

5384

2 - 13, January 20, 4 p.m. from Geneva.

Since last September his Government had been studying sympathetically certain requests from China for economic assistance and there was a prospect of some satisfaction being given to China. He hoped that peace and order would be restored in China and his Government would neglect no opportunity of collaborating to this end.

Wellington Koo thanked the members of the Council for their expressions of sympathy to his country; said that it was not necessary again to stress the fact that a scrupulous respect for treaty obligations and the observance of good faith are recognized as fundamental principles in international relations; stated that the Japanese attempt to nullify principles of the Nine Power Treaty has just been met with the stern disapproval of the three Governments directly interested in the Far East as well as with China's determined rejection and resistance and that the Council would have been well within its competence if it had availed itself of the opportunity to pronounce once more against such unwarranted action on the part of Japan. His Government earnestly hoped that the requests presented by him last Tuesday will in conformity with the resolutions before the Council be sympathetically examined and



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

5365

3 - 13, January 20, 4 p.m., from Geneva.

and promptly given a satisfactory response. Saying that his acceptance of the resolution was subject to the reservation that the Council remains seized of the appeal of the Chinese Government he said: "it must be clear by now after a year and a half of China's determined resistance with its untold sufferings and sacrifices for the Chinese people that the victory of the Chinese cause will mean at once the salvage of the rights and interests of the countries directly concerned in the Far East on the one hand and on the other the vindication of the principles of security in peace and progress in order <sup>in</sup> the world."

CSB

BUCKNELL

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

5366

TELEGRAM RECEIVED

1-1330

CORRECTED COPY  
 FROM:

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

Canton via N.R.

Dated January 20, 1939

Rec'd 9:30 p.m.

Secretary of State  
 Washington.

13, January 20, 6 p.m.

CONFIDENTIAL.

Reference is made to my despatch number 4,  
 693.002/803.  
 December 30 and my telegram No. 6, January 5, 6 p.m.  
 Information given me in confidence this morning by  
 my British colleague was to the effect that, acting  
 under instructions from his Government, he informed  
 the Japanese Consul General on January 17 that Japanese  
 transports flying the commercial flag and the transport  
 pennant will be permitted in moderate numbers, upon  
 giving 48 hours notice, to call at Hong Kong for the  
 landing and taking on of passengers subject to the  
 customary requirement for passports, passenger lists,  
 et cetera.

Although not made as a contingent concession it  
 is believed that the changed attitude on the part of  
 the British will greatly enhance the prospects of an  
 early settlement (as desired by the British) of the  
 matter of the operation of fairly frequent passenger  
 service

*Paraphrase*  
 COPIES SENT TO  
 ONLAND M.I.D.  
 in confidence  
 Division of  
 FAR EASTERN AFFAIRS  
 JAN 23 1939  
 Department of State

F.W. 793.94/14630

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

5367

2 - 13, January 20, 6 p.m., from Canton.

service by commercial vessels between the two ports pending opening of the river to general commercial traffic. The Japanese Consul General has suggested as the basis for the operation of such a service a ratio of one call of a British vessel at Canton to two calls of the Japanese transports at Hong Kong. No Japanese transports have thus far called in Hong Kong. By special agreement a British passenger ship came to Canton January 11 and returned to Hong Kong 17th.

The Japanese Consul General according to my British informant is prepared to discuss opening of rail communications to Hong Kong provided a suitable formula (which will not prejudice the Japanese stand toward operation of railways elsewhere in China) can be found and exploratory conversations are expected to take place shortly. This change in the Japanese attitude (which has opposed early resumption of traffic on the Kowloon Canton railroad) may have been induced by realization that the line could be used for many months only for <sup>passenger</sup> traffic due to demolition of bridges.

Repeated to Chungking, Peiping, Shanghai. Shanghai please repeat to Embassy at Tokyo.

CSB

MYERS

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

# TELEGRAM RECEIVED

ML

This message must be closely paraphrased before being communicated to anyone. (br)

Canton via N.R.

Dated January 20, 1939

Rec'd 9:30 p.m.

Secretary of State

Washington

13, January 20, 6 p.m.

CONFIDENTIAL.

Reference is made to my despatch number 4, December 30 and my telegram No. 6, January 5, 6 p. m. Information given me in confidence this morning by (?) (?) acting under instructions from his Government he informed the Japanese Consul General on January 17 that Japanese transports flying the commercial flag and the transport pennant will be permitted in moderate numbers, upon giving 48 hours notice, to call at Hong Kong for the landing and taking on of passengers subject to the customary requirement for passports, passenger lists, et cetera.

Although not made as a contingent concession it is believed that the changed attitude on the part of the British will greatly enhance the prospects of an early settlement (as desired by the British) of the matter of the operation of fairly frequent passenger service by commercial vessels between the two ports pending opening of the river to general commercial traffic. The Japanese Consul

793.94/14630

FILED

F/EG

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

ML -2- Canton via N.R. Jan. 20, 1939 9:30 p.m. #13

Consul General has suggested as the basis for the operation of such a service a ratio of one call of a British vessel at Canton to two calls of the Japanese transports at Hong Kong. No Japanese transports have thus far called in Hong Kong. By special agreement a British passenger ship came to Canton January 11 and returned to Hong Kong 17th.

The Japanese Consul General according to my British informant is prepared to discuss opening of rail communications to Hong Kong provided a suitable formula (which will not prejudice the Japanese stand toward operation of railways elsewhere in China) can be found and exploratory conversations are expected to take place shortly. This change in the Japanese attitude (which has opposed early resumption of traffic on the Kowloon Canton railroad) may have been induced by realization that the line could be used for many months only for traffic due to demolition of (\*).

Repeated to Chungking, Peiping, Shanghai. Shanghai please repeat to Embassy at Tokyo.

MYERS

CSB

(\*) 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

Confidential

CONFIDENTIAL

PARAPHRASE

A telegram (No. 13) of January 20, 1939, from the American Consul General at Canton reads substantially as follows:

If an agreeable formula can be found, that is, one which will not be prejudicial to Japan's attitude concerning operation of other railways in China, the Japanese Consul General is ready to talk over the matter of opening up railway communications between Canton and Hong Kong, according to information received from the British consular representative at Canton. It is anticipated that within a short time exploratory discussions will begin. Early opening of the Kowloon Canton Railway has been opposed by the Japanese and the change in their attitude may have been brought about by realization that on account of destruction of bridges it would be many months before the railway could be used for other than passenger traffic.

On January 11 a British passenger vessel came, by special agreement, to Canton, returning on January 17 to Hong Kong. On January 20 the American Consul General was informed confidentially by his British colleague that on January 17 under instructions from the British Government he informed his Japanese colleague that a moderate number of Japanese transports will be allowed to call at Hong Kong in order to land and take on

passengers

0586

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

CONFIDENTIAL

-2-

passengers. These transports will be subject to the usual requirements for passenger lists, passports, et cetera, must give forty-eight hours notice of their arrival, and must fly the transport pennant and the commercial flag. So far no Japanese transports have called at Hong Kong. It is thought that the chances of an early settlement, which the British desire, of the matter of rather frequent commercial ship passenger service between Canton and Hong Kong, pending the opening to general commercial service of the Pearl River, will be much improved by the change in the British attitude. However, permission for Japanese transports to call at Hong Kong was not made contingent on an early settlement of this matter. A ratio of one call at Canton of a British ship to two calls at Hong Kong of Japanese transports has been suggested by the Japanese Consul General as the basis for the operation of commercial vessel service between the two ports.

F.W. 793.94/14630  
 FE:EGC:JPS

YCP  
 FE *new*

1-25

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



LEGATION OF THE  
 RECEIVED  
 UNITED STATES OF AMERICA  
 Bangkok, January 7, 1939.

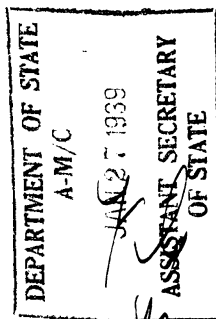
1939 JAN 21 PM 12 58

No. 315

Subject: War in China  
 DIVISION OF  
 COMMUNICATIONS  
 AND RECORDS

CONFIDENTIAL

BY AIR MAIL



ONI + MID

JAN 20 1939

793.94/14631

The Honorable

The Secretary of State,  
 Washington.

Sir:

I have the honor to report that the press in Siam continue to carry accounts, apparently originating in Japan, of unfriendly behavior of the French authorities towards Japanese. There has been much comment on the recent disappearance of a Japanese Consular official at Haiphong who is said to have been kidnapped by Chinese bandits on French territory close to the Chinese-Indo-China border. Other items in the press have stated that Japanese have been detained by the French police illegally

F/FG



7588

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 -

illegally on espionage charges in Indochina.

The French Minister here, and to a certain extent the British Minister also, is inclined to believe that these reports forecast certain aggressive action on the part of the Japanese in south China. The Japanese are said to be incensed because of the alleged munitions traffic through Haiphong and up the railway to Yunnan, which is about the only Chinese means of ready access to the outside world that is not controlled by the Japanese. Some observers with whom I have talked are of the opinion that the Japanese may very well be contemplating seizure of the Yunnan railway, even at the risk of violating French territory if necessary or expedient to attain their ends.

The Legation has no means of ascertaining the truth of these rumors or apprehensions, but I venture to report their currency. I am convinced that the Siamese are in no way concerned in the matter and desire only to continue their neutral policy.

Respectfully yours,

*Edwin L. Neville*

Edwin L. Neville  
American Minister

711

ELN/tse

Copy to Tokyo. *no*

Copy to Saigon. *no*

*Ch. J. 7*

1581  
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

*Copy in paraphrase  
sent to Treasury as  
confidential*

TELEGRAM RECEIVED *new*

rr

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

FROM Tientsin via N.R.

Dated January 21, 1939

*paraphrase* Rec'd. 5 p.m.

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

Secretary of State

Washington.

January 21, noon.

Usually well-informed source reports as follows:

Between December 15 and January 15 five divisions of  
Japanese troops approximating 60,000 men left North  
China for Manchuria, which is interpreted as counter-  
move against Russians who are reported to have sent  
into Mongolia 120,000 Russian troops consisting of  
three divisions of infantry two of cavalry and three  
artillery, ~~me~~chanized and aviation divisions.

Since January 15 9,000 Japanese troops have de-  
parted from North China for Manchuria and have been  
~~replaced~~ replaced by a like number from the same source.

Sent to Peiping, repeated to Chungking.

CALDWELL

KLP

793.94/14632

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

(CONFIDENTIAL)

Confidential

PARAPHRASE

A telegram of January 21, 1939, from the American Consul at Tientsin reads substantially as follows:

Five divisions of Japanese troops (about 60,000 men) went to Manchuria from north China between December 15 and January 15. This is looked upon as a counter move against the Russians who, it is said, have sent 120,000 Russian troops into Mongolia. These Russian troops were comprised of three mechanized, aviation and artillery divisions, three divisions of infantry, and two divisions of cavalry. 9,000 Japanese troops have gone to Manchuria from north China since January 15 and their place has been taken by the same number of troops from Manchuria. The above information has been received from a source which is usually well informed.

793.94/14632

290.  
FE:EGC:JPS  
1-23-39

HK  
FE  
Rear

159

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

*Copy sent to Treasury  
as confidential.*

rr

**TELEGRAM RECEIVED**

GRAM

Tsingtao via N.R.

1-1336

FROM Undated.

Rec'd. January 21, 1939  
5:58 p.m.

Secretary of State,  
Washington.

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

Division of  
Foreign Affairs

15.

Following from Tsinanfu:

793.94

"2, January 18, 3 p.m. It is reported that  
Chowting, pro-Japanese magistrate of Lichang County  
in which Tsinanfu is situated, on January 14th led  
a detachment of over 100 police and volunteers against  
an unknown number of guerrillas under the legitimate  
magistrate Heh Kia Hua encamped in the hills about  
two miles from this consulate. Information from two  
independent sources indicates that the detachment was  
practically annihilated, on the following day Chow and  
about ten of his followers having escaped and re-  
turned to Tsinanfu. Japanese army units equipped with  
tanks and airplanes were then despatched to the scene  
and severe fighting is said to have ensued. The  
results of the engagement are unknown and will not,  
of course, be made public unless favorable to the  
Japanese forces.

Repeated to Peiping and Chungking, by mail to  
Tsingtao. Hawthorne.  
KLP

SOKOBIN

793.94/14633

F/FG

to Chungking, Peiping, Shanghai.

JOSSELYN

6613



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. Quisenberry NARS, Date 12-18-75

TELEGRAM RECEIVED

1-1336

FROM

RECEIVED

EDA

PLAIN

COPIES SENT TO  
 OHL AND LMD

SWATOW VIA N.R.

Dated January 23, 1939

Received 7 a.m.

Secretary of State

Washington

1, January 23.

Division of  
 FAR EASTERN AFFAIRS  
 JAN 23 1939  
 Department of State

Frequent visits of Japanese seaplane to Swatow and

vicinity January twentieth through twenty second.

At Chaochowfu on twenty first two bombs on bridge killed

four and wounded nine and same day at Kityang four

bombs near bus station, slight damage, no casualties.

Twenty second plane scouted Swatow, dropped two bombs

on railway near Swatow, no damage nor casualties at

Kityang two bombs killed two persons and plane machine-

gunned junks in river and proceeded Chaochowfu machine-

gunning pottery factory, no casualties reported.

Repeated to Chungking, Peiping.

YOUNG

DDM

793.94/14635

F/FG

793.94

RECEIVED  
 JAN 25 1939

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

79394.

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Amoy/134 FOR # 178

FROM Amoy ( Altaffer ) DATED Dec 10, 1938  
TO NAME 1-1127 ...

REGARDING: Sino-Japanese situation: developments during month of Nov.,  
1938.

FRG.

793.94/14636

14636

759

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

793.94

(b) Relations with Japan.

1. Military Activity.

There were no military activities of significance in this Consular district during the month of November. Japanese planes were seen only three times during the month and bombs were dropped on the mainland on two of these occasions. It is believed that little, if any, damage was caused by these bombings. Amoy batteries shelled the mainland occasionally during the month and machine gun fire was heard frequently at night. There was no indication that the Japanese naval forces desired further territorial occupation in this district, nor did Chinese forces seem inclined to disturb the status quo.

2. Amoy now called Naval Base.

According to the Japanese controlled "Fukien Daily News", from November 14th, Japanese naval forces in Amoy will be called the Amoy Japanese Naval Base Forces.

3.



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

3. Amoy Lottery.

Due to complaints made against the handling of the Amoy Revival Lottery, this lottery was suspended pending its reorganization. The next draw is advertised for January 16, 1939. The suspended lottery administration disclaimed any dishonesty in the handling of the lottery and stated that the drawing was done by blind men and young children. As stated in a previous report, lottery receipts not paid out as prizes were to be used to help pay Amoy Administration costs.

4. Gangsters in Kulangsu - Trade Between the Chinese Mainland and Kulangsu.

As stated in previous political reports, a certain amount of trade was carried on between the Chinese mainland in Amoy Harbor and a point on Kulangsu Island known as Kong Tai Oa. This trade was soon controlled by Formosans, who also acted as intelligence agents for the Japanese Consulate General, and by Chinese followers. All goods were directed by this gang to shops in Kulangsu who made large profits and paid high tribute. A rival gang appeared from Amoy and a fight occurred in Kulangsu. The Kulangsu police arrested and imprisoned five participants in this fight, and it developed that three of them were claimed by a representative of the Japanese Military Office in Amoy, and the other two by a member of the staff of the Japanese Consulate General. These men were released on promise of keeping the peace in future. However, the illegal trade practices continued, together with the gang war in the Settlement.

Reports

159

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

- 5 -

Reports were made to the Japanese Consul General and Senior Consul Mr. Uchida, who denied that either the Japanese Navy or the Peace Maintenance Committee were in any way involved. At a special meeting of the Kulangsu Municipal Council on November 11th, it was decided that steps should be taken without delay to stop all illegal trade practices within the Settlement. Following this decision the Settlement police interrupted a shooting affray, making several arrests. The illegal tax office, located near the point on Kulangsu where junk traffic was directed, was closed and four persons who managed this office were turned over to the Japanese Consul General. All shops connected with the illegal ring were closed and several arrests were made at these places.

The sequel to the above mentioned incidents has been the transfer of all these activities from Kulangsu to patrol boats in the harbor along the line of junk traffic. Roughly, 10% of the value is levied on all produce coming from the mainland to Kulangsu, which amounts to more than \$10,000, local currency, a month.

5. Japanese Consul General Requests Reform of Kulangsu Police Force, with Addition of Japanese Sub-inspector and Constables.

Early in July, the Japanese Consul General in Amoy took up verbally with individual members of the Consular Body the question of adding a Japanese sub-inspector and nine Formosan or Japanese constables to the Kulangsu police so that Japanese interests in 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

- 6 -

the Settlement could be more adequately protected. The Consular Body acceded in principle to the plan and it was introduced as a measure before the Kulangsu Municipal Council. Since several Chinese constables are due to retire, the Council felt that Japanese police could be added to the force. A draft setting forth the Council's requirements and a salary scale was submitted to Mr. Uchida, who countered with a draft of his own terms for the addition of one sub-inspector, two detectives and nine police, which would increase the Council's police budget from \$55,000 to \$75,000, local currency, for the first year. In subsequent years it would increase. The Council replied that, in view of financial stringency, it could not entertain the Japanese demands and suggested that the matter be placed before the rate-payers. Mr. Uchida then stated that if the Japanese staff was not added to the Settlement police, it might become necessary to evacuate all Japanese subjects from Kulangsu to Amoy, or take over the Settlement with a Japanese landing force. The Council's committee suggested that he embody his demands in a letter to the Kulangsu Municipal Council.

6. Amoy Rehabilitation Committee Departs.

A local Japanese newspaper stated in its issue of November 18th, that several officers of the puppet governments at Nanking and Shanghai had been rushed to Amoy shortly after its occupation by the Japanese, for the purpose of organizing a Peace

Preservation

- 7 -

Preservation Committee. These officers were known as the Rehabilitation Committee and since it is considered that this Committee has successfully launched a puppet government in Amoy, the various members have departed for Shanghai.

7. Amoy Finances.

The Finance Office of the Peace Preservation Committee has estimated that expenditures of the Committee in December will exceed tax receipts by \$22,684, local currency. A deficit of \$10,000 in November was made up by tax receipts from a large importation by the British American Tobacco Company.

8. Property Tax.

The Peace Preservation Committee in Amoy issued a proclamation on November 12th requiring all property owners to submit title deeds for examination and taxation within fifteen days. According to the proclamation, four per cent. of the face value of the title is taxable, if paid within the time limit, but a higher rate with a heavy fine is promised to tardy rate payers. So far, it is reported that very few people have submitted their deeds for taxation. Approximately 60% of the property in Amoy is owned by overseas Chinese who are absent in the countries of their adoption. It is reported that few, if any, of these Chinese have complied with the requirements of the proclamation.

(c) Relations of a General International Character.

Nothing to report.

(d)

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

793.94

DOCUMENT FILE

NOTE

SEE 890.00/128 FOR Memorandum  
 State Department  
 Far Eastern Division  
 FROM (Salisbury) DATED Jan 19, 1939  
 TO NAME 1-1127 \*\*\*

REGARDING: Situation in the Far East.  
 Developments of past week.

FRG.

793.94 / 14637

14637

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

1-1336

FROM

JR

This telegram must be  
 closely paraphrased be-  
 fore being communicated  
 to anyone.

MARDET TIENTSIN

January 23, 1939

Rec'd 10:35 a.m.

ACTION: OPNAV

INFO: COMDR US MARINE FORCES NORTH CHINA  
 CINCAF  
 FOURTH MARINES  
 ALUSNA PEIPING



0023. Via Chinwangtao.

Week prior yesterday three hundred Jap troops, thirty  
 horses, several field pieces passed toward me. 1000.

DDM

793.94/14638

F/F G

160  
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

1-1336

FROM

Tsinanfu via Tsingtao  
& N. R.

Dated January 20, 1939

Rec'd 7 a.m., 23rd.

Secretary of State,

Washington.

3, January 20, 1 p.m.

Local Japanese army headquarters today announced that 15,000 guerrillas under Sun Hsiao Huang, largely composed of former Shantung troops and equipped with 10 howitzers, 70 light and 6 heavy machines guns, 14,000 rifles and over 1,000 horses, declared allegiance to the Japanese army at Shanhsien on the Honan border in southwestern Shantung on January 7th. Disaffection is said to have <sup>been</sup> "arranged" through the medium of one Chang Luan Feng who is connected with the Japanese army headquarters at Kweitch, Honan.

The veracity of the above statement is not generally doubted in Tsinanfu even among Chinese. In this connection reference is made to the Consulate's political report for December, page 2.

Repeated to Peiping and Chungking.

HAWTHORNE

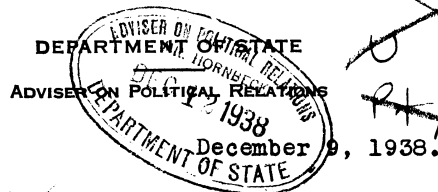
KLP

4

793.94/14639

F/FG

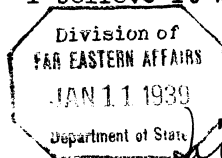
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
Department of State letter, August 10, 1972  
By Milton D. Hunsaker NARS, Date 12-18-75



Mr. Welles ✓

The item here attached, produced --  
and submitted to the Department of Commerce --  
by Mr. A. Bland Calder, Acting U.S. Commercial  
Attaché at Shanghai, contains -- no matter  
what we may think of its appropriateness --  
an exceedingly keen analysis of certain  
facts and factors in the situation in China,  
and hypotheses and tentative prognostications  
with regard to the future course of events  
there.

I believe it worth glancing over.



SKH  
Stanley K. Hornbeck

PA/H:SKH:ZMK

Dec. 7, 1938

DIVISION OF REGIONAL INFORMATION

To: *Dr. Hornbeck*

From: Far Eastern Section

REMARKS: *Moser*

*Herewith the report  
I promised. Sorry  
not to have sent it  
yesterday.  
Think it worth  
your reading.  
Charles*



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

*Extraordinary*

Shanghai, China, Oct. 22, 1938

WEEKLY ECONOMIC REPORT - #17

Report for the week ended October 22, 1938

Submitted by: A. Bland Calder, Acting Commercial Attache

Division of  
EASTERN AFFAIRS

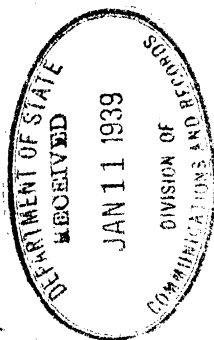
WEEKLY ECONOMIC REPORT  
OCT 12 1938

World Front: The rapidity with which the fascist gangster

front has advanced to a pre-eminent position in world affairs -  
all within the past six weeks - may admit of the expression of a few  
bitter truisms. The Japanese triumphal entry into Canton yester-  
day, almost unresisted, is the culmination of a swift, sure  
Japanese South China campaign of only 9 days duration. The only  
error they seem to have committed is that they overestimated Chinese  
resistance and landed, reportedly, 50,000 men, whereas they could  
probably have done the job with 10,000 men. They confidently announced  
that they anticipated no interference whatever from third powers and  
they were correct. No third power interfered. They have presented  
the world democracies with another fait accompli, chalked up on the  
score board to the credit of the gangster nations. We have only to  
conclude that:

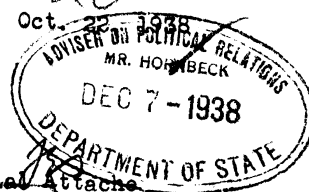
1. MIGHT MAKES RIGHT is the only slogan and ideology that  
is "getting anywhere" in the world today.
2. The forward moving nations are those with a closely knit  
homogeneity as to populace, led by a dictator who  
captivates the imagination of virile youth, well regimented,  
well armed, prepared, efficient. That description serves  
for Germany and Italy. Japan is a little different - an  
old ideology of loyalty, servility and frugality has  
served a relatively poor country as to resources, organized  
into a sort of "ant hill" civilization which insured  
"performance according to form", or performance in the  
set groove, and has made it possible for military gangster  
overlords to do the same with the Japanese populace that  
Hitler has accomplished with "80 million Germans".

CONFIDENTIAL  
CONTENTS NOT TO BE  
DISSEMINATED IN ANY FORM



(note: pages 143 and 144 illegible -  
since new copies were made.)

K+



793.94/14640

F/FG

1440

1605

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

Form 458

Weekly Economic Report - Page 2

WEEKLY REPORT

Shanghai, China, October 22, 1948.

(City) (Country) (Date)

October 22, 1948.

Report for the week ended

A. Bland Calder,

Acting Commercial Attache.

Submitted by:

GPO

11-8049

(Name)

(Title)

3. The 18th Century concepts of "Liberty, equality, fraternity" or "Life, liberty and the pursuit of happiness" are outmoded by a type of civilization in which the individual is willing to submerge individuality and self-expression and permit himself to become part of a huge machine that is "going places" and which will assure him the necessities of life, and security for himself and his family so long as he toes the mark of prescribed procedure. He is willing to be led, bossed, shoved into front line trenches if need be, but the collective security offered by his group ensures his loyalty and his running true to form.
4. The Democracies, - the countries which HAVE - relatively un-homogeneous melting pots or aggregations of conglomerate races, creeds, languages and religions - dragged into complacency by high standard living comforts and wealth - a highly individualistic body politic - hypocritical, inconsistent, with no policy or program internationally and "loaded" with domestic problems - unregimented and lulled into a false sense of security by distance from the scene or thinking to make some opportunistic adjustment to the changing circumstances or to "blunder through" - countries which in the aggregate possess the preponderant MILITARY POWER, but whose armaments are impotent for the other reasons given - these countries are due for A CLEANING by the countries which HAVE NOT.

The Far Eastern Front: A few more truisms and forecasts may be permitted as developed from our observations close on the scene of action of a segment of the world front - the Far Eastern sector.

1. Japan's war of aggression is directed at Great Britain, the United States, France, Soviet Russia, the Netherlands, China, the Philippines, the Netherlands Indies, Eastern Siberia, the Aleutians, Kamchatka, Alaska, and certain British possessions in Southeastern Asia are merely the spoils.
2. The powers which have withheld adequate help from China, powers whose might in the aggregate could have been mobilized on a solid democratic front to the benefit of mankind, will either have "to take it and like it" or swing their power quickly into use in active united force. They may delude themselves into

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

-3-

Shanghai, China, Oct. 22, 1938

thinking that they may still get a satisfactory hand out from Japan, a sharing in the spoils for continuing to keep from embarrassing Japan, but such a policy in the long run will cause them to lose out. Magnanimity is no part of Japanese ideology.

3. China is beaten by superior mechanized force. Two-thirds of the country, the choice, rich, productive part, will shortly be under Japanese domination, with only "mopping up" to do. Its resources will be looted and mobilized by the Japanese as rapidly as possible for the purpose of completely undoing and ousting the other powers interested in the Far East in trade or territorially.
4. A West and Southwest China nation of 150 million people, including Shansi, Szechwan, Kansu, Kweichow, part of Hunan, part of Kwengsi, may be permitted to exist as one of four separate Chinese regional governments, and possibly with Chiang-Kai-shek at its head, possibly uncontrolled by Japan. But we can count on North China, Central China, and South China puppet states controlled by Japan.
5. Japan's success in consolidating its gains in China and pursuing its wider program WILL DEPEND UPON COOPERATION AND FINANCING BY THE POWERS AGAINST WHICH JAPAN'S AGGRESSION IS DIRECTED as listed above. So those powers still have a CHANCE to queer Japan's game, but it is a LAST CHANCE. The powers are not united, and may pass up that chance. Japan probably will get the credits it needs, as a result of delusions mentioned in 2 above.
6. The portion of the Chinese nation which is still left, if it were to be supplied planes, munitions, artillery, through its back door, would probably go on fighting the battle for and on behalf of its natural allies without their actual participation, but prospects for such supply are meager. If on a large enough scale, such help would virtually insure Japan's having to continue fighting until economically and financially exhausted and defeated in its otherwise realizable objectives. Naval aid to China to cut off communications between Japan and China, if added to the above help to China, would DO THE TRICK faster. But the probabilities are that the powers will not be smart enough or cohesive enough to do it while it is easy. They will wait until it is too difficult, hence too late.

1607

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

Weekly Economic Report - Page 4

Form 458

WEEKLY REPORT-#17

Shanghai, China, October 22, 1938.

(City)

(Country)

(Date)

Report for the week ended October 22, 1938.

Submitted by: A. Bland Calder,

Acting Commercial Attache.

GPO

11-5049

(Name)

(Title)

Japanese Views, Plans, Methods: The following expressions of view

and outline of plans are the expressions of certain top Japanese in certain of the largest Japanese trading houses doing business in China, and were given in conversation to trusted Chinese long in their employ or associated with them in business ventures, and were passed on personally and confidentially by them to other Chinese with whom we are in touch. These expressions are fresh, having been stated less than 48 hours ago, by Japanese to Chinese to whom they look for "cooperation" in the program for allegedly "mutual" benefit.

1. The Japanese believe the weakness of Great Britain was fully exposed at the Munich Conference, and the attack on South China, long withheld, was the direct result of the revelations at Munich.
2. Japanese animosity toward the British is deep-rooted. They plan to oust the British definitely from China and have every confidence in their ability to do so.
3. The Japanese recognize that their immediate difficulty is in convincing the Chinese how wrong they have been relying on British support in combatting Japan. They will proceed now to the best of their ability to try to "sell" the Chinese on the advantages of Sino-Japanese cooperation. Bear in mind that this was a war to "enforce Chinese cooperation".
4. The Japanese have no desire to rule the Chinese directly. That is a job they know they cannot do well. They want representative Chinese to be in the ruling jobs, but with Japanese controlling them. The Japanese, in other words, want a strong PUPPET set-up. They know their present puppets in North and "Central" China are ruff raff, and they despise them, but so far they have been unable to get together a respectable group of Chinese to take over these puppet jobs. The Japanese believe they will be able a little later to secure Chinese puppets who can command respect.

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

Form 458

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Weekly Economic Report - Page 5

WEEKLY REPORT

Shanghai, China, October 22, 1938.

CONFIDENTIAL

October 22, 1938. (City) (Country) (Date)

Report for the week ended

A. Aland Calder,

Acting Commercial Attache.

Submitted by:

GPO

11-8649

(Name)

(Title)

5. Canton will not be sacked and raped as was Nanking, as it will be Japan's policy now to try to conciliate the Chinese and win their cooperation. Japan will thus try to appease the feelings of overseas Chinese who are largely Cantonese and who have some effect on international opinion.
6. The Japanese have a feeling of easy confidence that the British want to "play ball" with them, once the Chinese are beaten. But the Japanese regard Great Britain as a bitter enemy and will prefer to find means of ousting the British.
7. Japanese are confident that they will get credits in America for financing developments in China, and they so advise Chinese contacts.
8. At an opportune moment the Japanese authorities plan to take over the International Settlement and French Concession in Shanghai and turn them over to the Chinese puppet regime (the "Chinese Government") thereby giving the Chinese "face" while serving their own (Japanese) purposes well. Drastic pressure "a la Hitler" will be used when the Japanese get ready to take over the foreign areas. The object will be to wipe out foreign interests by thus kicking out their base of operations from under them and controlling the area.
9. Japanese interests have taken over the Yangtzeppoo Ning On (Chinese owned) cotton mill and are operating it for Japanese accounts wholly. They indicate that if the Chinese owners change their minds and want to "cooperate" (i.e. admit 51% Japanese participation without the Japanese putting up any cash as representing their 51% share of the capital) the way will still be open for the Chinese to "come in". The Japanese would supply "operating funds".
10. The Toyota Motor Car Co. is now building an assembly plant on Hoehien Road, near Pingliang Road, in Yangtzeppoo, Shanghai, and plans early in 1939 to produce about 100 trucks per month, to start, and eventually to freeze the American motor truck out of the China market.

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

Form 458

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Weekly Economic Report - Page 6

WEEKLY REPORT

Shanghai, China, October 22, 1938.

CONFIDENTIAL

(City)

(Country)

(Date)

October 22, 1938.

Report for the week ended

A. Bland Calder,

Acting Commercial Attache.

Submitted by:

(Name)

(Title)

GPO

11-8649

11. The Japanese do not want directly to operate all industry in China, but will work on a basis whereby they will appoint a Chinese agent to deal with the Chinese "cooperating" interests, so that the Japanese can sit back and direct operations without coming into conflict with the Chinese interests by too close association with them. This will be a typical Oriental way of doing things - not exactly a comradere system, but something like it - necessary as they (the Japanese) could probably not trust the "cooperating" interests, but could trust and control their own old contacts.
12. It is planned to freeze out all small industrial establishments as Japanese products and products of such large Japanese controlled enterprises as operate in China will be able to undersell all others.
13. Future imports into China will be almost entirely of Japanese origin, or from Japanese industry in China as a source. Hence merchants will be obliged to sell Japanese products or to starve.
14. British and German firms will not be able to carry on very long in China. Such large importing houses and manufacturers representatives as Jardines and Carlwits have been able to do a good business in the past because they could depend on large Chinese Government orders. Without these orders in the future, they will have to close up. Japanese interests will "see to it" that when the Chinese Governments they set up require equipment from abroad, they will go to the large Japanese firms for such purchases.
15. In anticipation of the good business to be enjoyed in a conquered China more and more Japanese merchants are now coming to Shanghai.
16. The Japanese believe that China even in its present state of disruption will not be a losing proposition such as Manchuria has been in the first few years of "occupancy", because in China economic factors will be capable of manipulation in such a manner as to pay back quickly to Japan the cost of the "China Incident". "You may not think it possible, but when we get to work here, we will get our money back in no time, and we shall have prosperity in Japan in five years' time."

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

Form 458

Weekly Economic Report - Page 7

WEEKLY REPORT - 217

CONFIDENTIAL

Shanghai, China, October 22, 1938.  
 (City) (Country) (Date)

Report for the week ended October 22, 1938.

Submitted by: A. Bland Calder, Acting Commercial Attache.  
 (Name) (Title)

GPO

11-8649

17. American business here will live on our favor. Germans will naturally get some benefits out of the situation as allies of Japan.
18. Japanese interests do not want to see Chinese currency collapse and predict that the yen and yuan will in future be at absolute par. Japanese interests are encouraging Chinese contacts not to doubt or fear for the future of Chinese currency but to support it. They criticize the National City Bank and foreigners in China for "pulling down" the yuan and state "It does not serve our purpose to pull it down".
19. The Japanese plan to maneuver their position with rich Chinese in such a manner as to direct their capital into desired channels.
20. The Japanese campaign will definitely stop after the fall of Hankow, so as to give breathing space to consolidate gains. They believe confidently that they can "buy over" the guerrillas. (This is a weak point in Japanese calculations. They may succeed in the Shanghai area, but in North China anarchy may continue for a long time).
21. If Chiang Kai-shek does not sue for peace after the fall of Hankow, the Japanese will treat him as a local "war lord" assuming that the Chinese Government under Chiang will have no power or strength to regain lost ground. "Let them rot". The British can be depended upon to deal with the Japanese sponsored governments and no longer with Chiang Kai-shek.
22. Tariff. Yes, there will be no tariff between China and Japan. China's tariff will apply to "third countries" only.
23. Japanese in Shanghai are exuberant and in high spirits and they believe Japan has now won the war. They were dubious and afraid at the beginning of the conflict fearing that Great Britain and the United States might support Chiang Kai-shek and that both China and Japan would thereby be "ruined". However, they regard the victory as won at a heavy cost and they blame Great Britain because Chiang Kai-shek, they believe, started the war with assurances of British help. Without British influence Japan could

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

Form 455

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Weekly Economic Report - Page 6

WEEKLY REPORT

CONFIDENTIAL

Shanghai, China, October 22, 1933.

October 22, 1933.

(Country)

(Date)

Report for the week ended

A. Bland Calder,

Acting Commercial Attache.

Submitted by:

U P O

11-8649

(Name)

(Title)

have achieved a Sino-Japanese entente virtually without war. Thus Japanese here regard both China and Japan as the victims of British tricks and are trying to pass that impression to their intimate Chinese contacts.

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ABG:ER

A. Bland Calder,  
Acting Commercial Attache.



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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

a

DEPARTMENT OF STATE  
AMERICAN POLITICAL RELATIONS  
MR. HORNBECK  
JAN 30 1939  
DEPARTMENT OF STATE  
February 23, 1939.  
Mr. Secretary:

The memorandum here attached, volunteered, by Mr. Vincent, contains an account of a discussion meeting of the Foreign Policy Association and certain comments on the Far Eastern situation and problems of our relations thereto, by Mr. Vincent.

The points which I have marked, especially on pages 5-10, seem to me highly worth being taken into consideration.

Stanley K. Hornbeck

PA, H:SKH:ZMK

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

February 3, 1939.

Canton's despatch no. 3 of December 29 describes the establishment of a Japanese-sponsored "Kwangtung Peace Maintenance Commission" as reported telegraphically and additionally states that the Commission will have seven departments, including a "Foreign Affairs Bureau" for "foreign intercourse and international trade"; that its members are nonentities; that its authority is limited to Canton and unlikely soon to be exercised even in that city, "which remains under Japanese military rule"; and that it sent a notice of its establishment to the Consulate General.

FE:Chase:HES

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

NO. 3

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THE FOREIGN SERVICE  
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DIVISION OF  
COMMUNICATIONS  
AND RECORDS

AMERICAN CONSULATE GENERAL  
Canton, China, December 29, 1938.

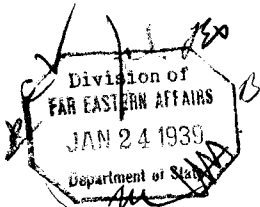
SUBJECT: The Establishment of a New Japanese-Sponsored  
Regime in Canton.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:



I have the honor to report as follows upon the establishment of a new Japanese-sponsored regime\* for the city of Canton.

On the morning of December 20, 1938, at an inaugural ceremony in the Sun Yat-sen Memorial Hall in Canton, a "Kwangtung Peace Maintenance Commission" (廣東治安維持會) was established under Japanese auspices as the nominal civil authority in Canton, succeeding the "Preparatory Committee" formed on November 27, 1938. Although the newly-created organization bears the name "Kwangtung"

(廣東) in its title, it is believed that its activities are to be restricted to the city of Canton and that its authority is not to be extended to other portions of Kwangtung Province.

ASSISTANT SECRETARY  
OF STATE  
FEB 5 1939

Telegram of December 21, 3 p.m.

\*\*Page 7 of this Consulate General's Political Report for November, 1938.

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

- 2 -

The "Commission", in addition to a staff of councillors and advisers, is to be composed of ten members, seven of whom have been appointed. None of the appointees have achieved prominence in public life. The Chairman, P'eng Tung-yuan (彭東原), a native of Chungshan District of Kwangtung and a former associate of Dr. Sun Yat-sen, held minor military and political offices in the vicinity of Shanghai and at Canton before his retirement from public life a number of years ago.

The Vice Chairman Lu Chun-yung (呂春榮), also born in Kwangtung, was a subordinate officer of Kwangtung and Kwangsi armies, including anti-Chiang Kai-shek Kwangsi forces in 1929, until his resignation in 1933.

The other five "Commissioners" are all obscure political personalities. Chen Shao-t'ang (陳紹唐), the Secretary, is an inconsequential former Chinese government employee, whose last position is stated to have been Chief of the Fire Brigade of the Canton-Hankow Railway. Hsiang Yen-yun (商衍鎰), also employed formerly by the Chinese Government in subordinate capacities, is reported last to have been an attorney practising in Canton. Ch'o Ch'iu (卓球), educated in Japan, was at one time manager of the Kongmoon branch of the Kwangtung Provincial Bank and a supervisory member of the Kwangtung Boat Union. Liao Ming (廖銘), who is reported to be a graduate of the University of California, has been engaged in educational activities, employed in Chinese government service, and in business in Canton. No reliable information has become available as yet concerning Liang Yung-  
hsin

- 3 -

hsin (梁永森).

According to information supplied by the Japanese Military Headquarters at Canton, the "Kwangtung Peace Maintenance Commission" will have the following seven departments: (1) Secretariat, handling correspondence and matters of a general character; (2) Peace Maintenance Bureau, responsible for the policing of the city; (3) Civil Affairs Bureau, supervising social affairs, general affairs, public health, education, overseas Chinese affairs, land administration, and industry; (4) Finance Bureau, to concern itself with the collection of taxes, care of government property, auditing of accounts, receipts and disbursements, collection of salt revenues, and matters relating to the suppression of the opium traffic; (5) Reconstruction Bureau, to be charged with the supervision of engineering projects for the rebuilding of destroyed areas of the city, the supplying of water and electricity, and the reestablishment and maintenance of communications; (6) Judiciary Bureau, responsible for the functioning of the courts and public prosecutions; (7) Foreign Affairs Bureau, to devote its attention to foreign intercourse and international trade.

The inaugural ceremony which was held on the 20th in connection with the establishment of the "Kwangtung Peace Maintenance Commission" was attended by approximately five thousand Chinese of the poorer classes, many of them obviously

- 4 -

obviously assembled under Japanese direction, others attending out of curiosity. The German and French Vice Consuls were present and are reported to have been seated upon the speakers' platform, together with a few foreign newspaper correspondents. With the exception of Japanese, no other consular officers attended. Both the Japanese and "five-barred" flags were displayed prominently in the building.

Addresses congratulatory in character and urging cooperation with the new regime were delivered by the Japanese military and naval commanders in Canton, the Japanese Consul General, the Chairman, Vice Chairman, and Secretary of the "Association", a so-called "People's Representative", and a member of a Chinese women's organization. The addresses were followed by the reading of telegrams of congratulation from Japanese officials in Tokyo, and from members of regimes fostered by the Japanese authorities in Manchuria, Peiping, and Nanking.

Following the ceremony, there was a parade about the streets of the city of Japanese military trucks conveying apathetic-looking Chinese holding Japanese and "five-barred" flags. Armed military guards were stationed in many of the trucks.

At present there are no indications that the newly-installed "Commission" is likely in the near future to participate actively in the administration of the municipal affairs of the city of Canton, which remains under Japanese military rule.

There

761

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 -

There is enclosed, as of possible interest, a  
1/- translation of an announcement addressed to this  
Consulate General of the establishment of the  
"Kwangtung Peace Maintenance Commission".

Respectfully yours,

  
M. S. Myers,  
American Consul General.

Enclosure:

1/- Translation of an Announcement.

In quintuplicate.  
One copy to Embassy, Peiping.  
One copy to Embassy, Chungking.

800

WLP/ccw

7618

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

ENCLOSURE NO. 1 TO DESPATCH NO. 3 OF DECEMBER 29,  
1938, FROM M. S. MYERS, CONSUL GENERAL, CANTON,  
CHINA, ON THE SUBJECT "THE ESTABLISHMENT OF A NEW  
JAPANESE-SPONSORED REGIME IN CANTON".

From: The Kwangtung Peace  
Maintenance Commission.

Despatch No. 1, Character "Chih".

---

(Suggested Translation)

Canton, December .... 1938.

Sir:

We have the honor to state that through the  
ardent and sincere efforts of the people, the  
Kwangtung Peace Maintenance Commission was formally  
inaugurated on December 20, 1938, and that it began  
to function on that day.

Aside from communicating separately with all  
concerned, we have the honor to indite this for  
your kind information.

We have the honor to be, Sir,  
Your obedient servants,

(Signed) P'eng Tung-yuan,  
Chairman.

(Signed) Lu Chun-yung,  
Vice Chairman.

(Signed) Sh'ang Yen-yun  
" Liao Ming  
" Ch'ao Ch'iu  
" Chen Shao-t'ang  
" Liang Yung-hsin.

Commissioners of the Kwangtung  
Peace Maintenance Commission.

(SEAL OF THE PREPARATORY COMMITTEE OF THE KWANGTUNG  
PEACE MAINTENANCE COMMISSION.).

The Honorable  
American Consul General,  
Canton.

Translated by LSS  
Copied by CCW

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

5368

## TELEGRAM RECEIVED

JR

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

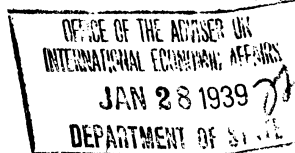
FROM Tokyo

Dated January 24, 1939

Rec'd 7:20 a.m.

Secretary of State,

Washington.

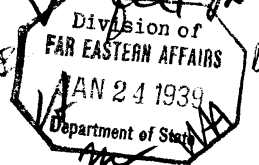


41, January 24, 10 a.m.

STRICTLY CONFIDENTIAL.

My British colleague has received following  
information from a source which he considers both  
trustworthy and well informed:

One. Informant had been much struck with marked  
change in the attitude towards currency question of both  
Japanese army officers and businessmen which he had  
noted in Shanghai on the occasion of a recent visit  
as compared with a visit some months earlier. On the  
earlier occasion the belief seemed to prevail that  
undermining of the Chinese national currency should  
definitely be a Japanese objective, but now there seemed  
to be a general agreement that on the contrary it was  
now Japan's interest to see the value of the currency  
maintained at least at its present value. He had also  
noticed a tendency of the Japanese to consider that the  
Yangtze River question should be settled by means of  
business arrangements between the private interests  
concerned. The main difficulty was the fear of the  
Japanese



793.94/14642

JAN 31 1939

FILED

F/EG



162

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

5359

-2- #41, January 24, 10 a.m., from Tokyo.

Japanese officers and businessmen that, once foreign shipping had been admitted, the Japanese ships would run empty; one way of avoiding this would be a profit sharing arrangement which would guarantee Japanese shipping against losses due to purely political circumstances. The profits would be shared pro rata according to the amount of commercial tonnage operating on the river.

Two. Informant found these tendencies encouraging and believed there was now a more genuine realization in Central China that Japan could not expect to exploit these vast areas purely in her own interest.

894.00  
Three. Informant did not appear to regard the Hiranuma Cabinet as a strong one and suggested that they themselves had little idea as to the real meaning of the "new order" in East Asia. Certainly informant had been able to obtain no guidance as to how these vague generalities were to be translated into concrete measures for the promotion of Japanese trade. He did, however, imply that we must expect a more aggressive promotion of Japan's new policy of economic expansion in the North than in the Center or South. Informant was doing his best to persuade Arita, who was a personal friend

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

5370

-3- #41, January 24, 10 a.m., from Tokyo.

friend, of the importance of conciliating the foreign interests concerned, but latter was, of course, under great pressure from other and less friendly quarters.

Four. The foregoing observations, as reported to me, lack precision but they at least indicate the way in which the wind appears to be now blowing in Central China.

GREW

KLP

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

Digest of Telegram # 42, January 24, 1939 Tokio (Strictly Confidential)

Th person mentioned in my telegram #41, January 24, 1939 as the informant is ~~the~~ former President of the Yokohama Specie Bank by the name of Kodama. His selection to head the Central China Promotion Company is an indication of his considerable influence and prestige.

GREW

793.94/14642

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

P A R A P H R A S E

STRICTLY CONFIDENTIAL

A telegram (No. 41) of January 24, 1939, from the American Embassy at Tokyo reads substantially as follows:

(Kodama)  
 An informant, (a personal friend of Arita's) whom the British Ambassador regards as well informed and reliable has made certain observations to Craigie which, although they are not precise, at least indicate the way the wind seems to be blowing at the present time in Central China. These observations, as reported to the American Ambassador, are as follows:

Seemingly the Hiranuma Cabinet was not looked upon as a strong cabinet by the informant who suggested that the cabinet members themselves knew little about the real meaning of the new order in East Asia. The informant had not been able to get any guidance as to how concrete measures for the promotion of Japanese trade were to be evolved from these vague generalities. However, he did leave the impression that it must be expected that the new Japanese policy of economic expansion would be promoted more aggressively in North China than in South or Central China. Although other and less friendly influences were of course exerting great pressure on Arita, every effort was being made by the informant to convince him how important it was to appease the concerned foreign interests.

When visiting Shanghai a short time ago the informant had observed a tendency on the part of the Japanese to

look

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

STRICTLY CONFIDENTIAL

-2-

look upon the question of the opening of the Yangtze River as one which should be taken care of by business arrangements between the private interests concerned in the matter. The fear of the Japanese businessmen and military officers that Japanese vessels would run empty when foreign shipping was allowed on the river was the principal difficulty. An arrangement for a pro rata sharing of profits on a basis of the total of commercial tonnage operating on the Yangtze would be one way of avoiding this difficulty. The informant had noticed also and had been greatly impressed with a change, as compared with some months earlier, in the attitude of Japanese businessmen and military officers concerning the currency question. It seemed to be generally agreed now that it was to the interest of Japan for the national currency of China to retain its present value at least, whereas when the informant visited Shanghai some months earlier the prevailing opinion seemed to be that the Japanese should definitely endeavor to undermine the currency.

The above mentioned trends were regarded as heartening by the informant who was of the opinion that there was a clearer understanding now in Central China that the Japanese could not hope to exploit entirely in their own interest these huge areas.

793.94/14642

FE:EGC:JPS  
 1-25

FE  
 REW

1624

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

TELEGRAM RECEIVED

MA 1-1336

FROM  
This telegram must be  
closely paraphrased before  
being communicated to  
anyone. (D)

Tokyo

Dated January 24, 1939

Rec'd 4:51 a.m.

Secretary of State

Washington

42, January 24, 3 p.m.

STRICTLY CONFIDENTIAL

Our 41, January 24, 10 a.m.

Informant is Kodama, former President of  
Yokohama Specie Bank, a man of considerable prestige  
and influence as indicated by his selection to head  
the Central China Promotion Company.

GREW

KLP

~~Yonghe River to the~~



793.94/14643

JAN 26 1939

FILED

FFC

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

ME

FROM

GRAY

Shanghai via N.R.

Dated January 27, 1939

Rec'd 11:23 a.m.

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

Secretary of State,  
 Washington.

77, January 27, 7 p.m.

File 730  
 Division of  
 FAR EASTERN AFFAIRS  
 JAN 27 1939  
 Department of State

An order issued by the Commissioner of Police of the International Settlement indicates that special precautionary measures are to be taken on January 28, the anniversary of the outbreak of Sino-Japanese hostilities in 1932. The American and British defense forces will assist the Settlement police in maintaining order. The French authorities are understood to be taking similar precautions. Japanese press reports state that in anticipation of Chinese guerilla attacks on the 28th, Japanese sentry posts have been increased in the area around Shanghai.

Repeated to Peiping and Chungking.

GAUSS

CSB

JAN 31 1939  
 RECD.

F/A

793.94/14644

793.94  
 not  
 893.102

1627

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 893.811/1080 FOR Tel #70; 8pm

FROM Shanghai (Gauss) DATED Jan 24, 1939  
TO NAME 1-1127 \*\*\*

REGARDING:

Sino-Japanese situation: Yangtze area.

Observation on-, based on trip with the Admiral to the  
ports of Chingkiang, Nanking Wuhu.

FRG.

793.94 / 14645

14645 -



7628

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

733.74

## DOCUMENT FILE

### NOTE

SEE 893.01 Provisional/189 FOR Tel #51: lpm

FROM China ( Lockhart ) DATED Jan 25, 1939  
TO NAME 1-1127 ...

REGARDING: United Council.

Issuance of manifesto, approving Konoye peace plan of Dec 22.  
In addition to-, consideration given economic matters, re-  
sulting in issuance of resolutions set forth herewith.

FRG.

793.94/14646

14646 -

7621

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

FE

PLAIN

NOTE  
793.94  
793.94119

AMEMBASSY, NANKING  
AMERICAN CONSUL SHANGHAI

Peiping via N. R.

Dated January 25, 1939

Rec'd 8:40 p. m.

Secretary of State,  
Washington.

51, January 25, 1 p. m.

Peiping's 50, January 24, 5 p. m. /188

One. The following is a summary of the communique of the United Council, a manifesto which definitely adopts and approves the Konoye peace plan of December 22 and its three principles of (one) good neighborliness, (two) anti-communist, and (three) economic cooperation.

Two. After referring to the tragic consequences of the present hostilities the communique states that the Japanese Government has in a spirit of sincerity and neighborliness endeavored to bring about a termination of the hostilities but that the communistic Kuomintang National Government has failed to understand the overtures of this friendly nation and has continued the armed conflict. Allusion is then made to Konoye's statement of December 22, which afforded the Chinese Government an opportunity to adhere to the above-mentioned three principles

893.01 Provisional /189

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

LMS 2-No. 51 from Peiping, January 25, 1 p. m.

principles which are described as constituting the cardinal points for a permanent peace in the east Asia. A resume is then given of Konoye's statement with emphasis upon the fact that Japan harbors no territorial designs upon China, desires no indemnity, and guarantees respect for Chinese independence, mentioning further the abolition of extra territoriality and the foreign settlements. The communique, in declaring that Konoye's statement forms a foundation for the happiness of the Japanese and Chinese, expresses the Council's complete agreement with that statement. The communique then continues that Wang Ching Wei, repenting the wrongs of the past, has risen to undertake plans for the reconstruction of China, thus hastening the restoration of amity and establishment of peace, and adds that those who support Chiang Kai Shek are regarded as public enemies and that some of the Kuomintang leaders, unawakened to the reality of the situation, still cling to the support of certain foreign powers. The communique concludes that it is the common aim of the provincial and reformed "governments" to strengthen and consolidate cordial relations

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

LMS 3-No. 51 from Peiping, January 25, 1 p. m.

relations with friendly neighbors, to remove communistic banditry, and to end the maladministration of the Kuomintang, so that the people of China may realize a new birth. "At this moment of national emergency the United Council desires to act for the benefit of the country" and urges the people not to be deluded by the propaganda of the Kuomintang and Communist Parties.

Three. In addition to the above policy manifesto the Council considered economic matters and issued the following resolutions in regard thereto: (A) postal problems should be studied and a means devised for adjusting losses from remittances and other transactions between North and Central China; (B) the supply of North China common is not sufficient to meet demand in Japan, Manchukuo and Central China and some rational adjustments should be made by means of trans-exportation; (C) an increase in coal production should be made and plans formulated for equal distribution throughout North and Central China and Japan; (D) Central China should formulate plans for shipment of rice to North China; and (E) a study should be made for an early establishment

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

LMS 4-No. 51 from Peiping, January 25, 1 p. m.

establishment of a fixed monetary system in Central China in order to effect a smooth operation of monetary circulation and exchange between North and Central China.

Four. Other resolutions concern the codification of laws, representative of the two governments in Japan and Manchukuo, and consolidated taxes.

Five. Repeated to Chungking. Mail text to Tokyo.

LOCKHART

EMB

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

5371

## TELEGRAM RECEIVED

## FROM

EG

This message must be  
 closely paraphrased be-  
 fore being communicated  
 to anyone. (Br)

Chefoo via N. R.

Dated January 28, 1939

Rec'd 7:30 a.m.

Secretary of State,  
 Washington.

9, January 28, noon. *793.44/13356*

Referring to the Consulate's telegram of July 1,  
 10 a.m. and Consulate's despatch No. 14, *13592* the same date  
 to the Embassy at Peiping concerning the Japanese  
 seizure of the Chinese Maritime Customs cruiser  
 HAICHENG.

One. The Japanese Navy yesterday ordered the  
 Commissioner of Customs at Chefoo to remove from Chefoo  
 American citizen Theodore W. Joyce, Executive Officer  
 of the Chinese Maritime Customs cruiser HAICHENG now  
 performing other duties ashore.

Two. The Japanese demand was referred to the  
 General  
 Inspector of Customs at Shanghai who instructed the  
 Commissioner of Customs at Chefoo to take no action  
 pending receipt of a full report in Shanghai.

Three. Repeated to Embassy, Peiping, Chungking  
 and Shanghai.

ROBERTS

EDA:KLP

793.94/14647

F/FG

0634

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

PREPARING OFFICE  
 WILL INDICATE WHETHER  
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 OR  
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TELEGRAM SENT

Department of State

TO BE TRANSMITTED  
 CONFIDENTIAL CODE  
 X NONCONFIDENTIAL CODE X  
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 PLAIN  
NAVAL RADIO

1939 JAN 28 PM 2 08 Washington, January 28, 1939.

AMEMBASSY,  
 PEIPING (CHINA).  
 DIVISION OF  
 COMMUNICATIONS  
 AND RECORDS

INFO: AMERICAN CONSUL, CHEFOO (CHINA).  
 AMEMBASSY, CHUNGKING (CHINA).  
 AMERICAN CONSUL, SHANGHAI (CHINA).

22.

If you have not repeat not already done so, please  
 repeat Chefoo's no 9, January 28, noon and its July 1,  
 10 a.m. to Tokyo.

The Department desires to be kept fully and promptly  
 informed of developments in this case.

Repeated to Chefoo, Chungking, and Shanghai.

793.94/14647

Hull  
 (m. 2/1)

793.94/14647

FE:JCV:HES

WAA  
 FE

CR  
 JAN 28 1939 PA

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

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

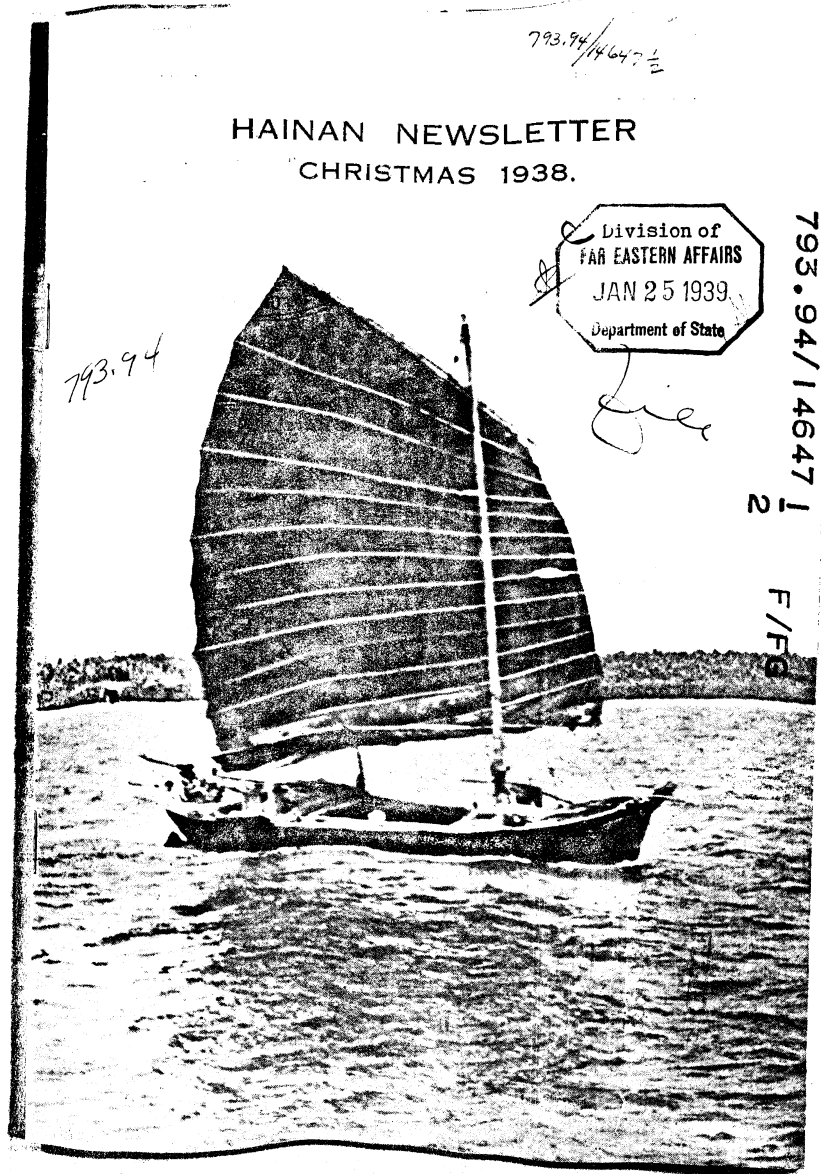
D. C. R.—No. 60

1-1402 U. S. GOVERNMENT PRINTING OFFICE

F/FG

0635

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





#### PLEASE NOTICE.

The Hainan Newsletter is published three times a year by the members of the American Presbyterian Mission of Hainan Island, South China and financed by individual assessment. Its purpose is to establish contact with the Home Church groups and with personal friends of the missionaries, to whom it is sent free of charge.

For the convenience of persons or groups not on the regular mailing list who desire to use its material, the Mission has been asked to set a subscription rate. This appears on the title page as fifty cents gold for three copies. Note that all subscriptions will be received at the Treasurer's Office, Board of Foreign Missions, 153 Fifth Avenue, New York City. Please do not send checks or money orders to the local address.

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Price: Fifty cents gold for three issues. Subscriptions payable by check or money order to the Treasurer's Office, Board of Foreign Missions, 156 Fifth Avenue, New York City.

## Hainan Newsletter

AMERICAN PRESBYTERIAN MISSION  
Island of Hainan, South China

MISSIONARIES AT HOIHOW, KIUNGCHOW, KACHEK AND NODOA

EVELYN W. FRENCH, *Editor.*

### CHRISTMAS NUMBER 1938

#### REASONS FOR PRAISE

That God in His goodness has spared this area of any of the horrors and most of the dangers of war.

\* \* \*

That there has been marked improvement in giving and definite progress toward a goal of self-support in the Presbyteries already this year.

\* \* \*

That the first four Bible Training Institutes of a Summer-Fall series has met with encouraging response and the expressed desire to achieve greater perfection.

\* \* \*

That two secretaries of the Church of Christ in China were able to hold a week's meetings in each of the three centers for about one hundred delegates from village groups.

#### ITEMS FOR PRAYER

That this Christmas there may be a rededication of Christians to peace on earth.

\* \* \*

That the church in Hainan may realize its heritage of Christianity and be more willing to accept its responsibility.

\* \* \*

That the Spirit of God may be as manifest among our students during the coming year as the last, and that decisions for Christ may continue.

\* \* \*

That lay workers, leaders, evangelists, and Bible women may spread the inspiration they received and make vital contributions to the groups from which they came.

### PERSONALS

Hainan vacations have been popular this summer—short visits to other stations have been paid by Miss Moninger, the Bucher family and the Tappan family.

The Mission is glad to welcome Mrs. H. F. Burkwall and Yola back from furlough. Dr. Burkwall, temporarily detained in Canton, will follow soon.

Jean Thomas, Ruth Byrd and Stanton Tappan returned to school in Shanghai the first of September.

Our Mission Hospitals have been the recipients of several hundred tubes of cholera vaccine, from the National Health Administration. This vaccine is administered free to the populace. Fortunately, there has been no epidemic of cholera this year.

Hoihow Hospital has through the past months received gifts of dressings from various Women's Societies of New Jersey churches. We always are appreciative of these gifts, but particularly this year when Chinese currency buys so little.

A party of eleven Christians from the district of Vunsio, made the trip to Hongkong to attend the Pui-ying Conference, held annually in that place. This is the first time a group of our Christians has made such a journey on their own responsibility. This is an Evangelistic Conference in which both Chinese and Missionaries participate.

Three young women, a doctor, a nurse, and a lay worker, are making an evangelistic trip over to Hai-bak, the mainland. This, too, is volunteer. The doctor is using half of her annual vacation for this trip.

The difficulties of landing in Hoihow are well known, but several people passing through have braved the trip and been surprised that it was not so difficult after all and that there was something to see. Among these were Dr. Gentry, of the Methodist Board, who is stationed at Chung-king Szechwan, (get out your map), who had motored from that place with his wife and three sons, to Yunnanfu, thence by train to Haiphong, and then by steamer to Hongkong, and then go on to America. On the same steamer was Mrs. Miles, the wife of an American Naval officer, who had made a trip to Siam and around through French Indo China. Four ladies from Swatow had made the trip to Bangkok, and were able to buy more interesting things on Hoihow streets than they had in Bangkok, so they said. Dr. John Cameron, of P.U.M.C., returning from a trip to Yunnanfu, told us something of the difficulties of living in the former Northern Capitol.

Our three mission hospitals have been asked by the International Red Cross to serve as base hospitals when they are needed to care for war casualties. The Red Cross has provided supplies of cotton, gauze, and bandages to be used in such an emergency. Sixteen First-Aid units have been organized and equipped under the same auspices,

in various parts of the island. There are forty members in each unit, many of them are high school students. They are given a three weeks course in First-Aid measures and are expected to be on duty to care for civilian war casualties. (see page 25).

Red Cross activities have spread to many places, including Hoihow, where for several weeks ten or more ladies have come to the Hoihow Hospital almost daily to make supplies for use in case of emergency. (see page 25).

Pastor Peter Wong of Kiungchow church closed his night school of thirty young business men in June, with a moonlight meeting and games on the lawn. Speeches, songs, and a talk presenting Christ to these promising young men preceded games, then cakes and tea. One of them has become a faithful church member and gave freely of his services in the Vacation Bible School which followed during six weeks in July and August. Forty children from non-Christian homes came from seven to nine A.M. daily and a staff of six young students carried on a profitable program of songs, games, Bible stories, reading and writing Chinese. Tea and cakes and games wound up the school in August, the youngsters gathering three hours ahead of time for the promised good time.

Hoihow and Kiungchow City choirs had an unusual evening together in the reception room of the Nurses Home of the Hoihow Hospital. David Tappan Jr. showed movie films of his trip to Peiping and North China, last summer. This was followed by a "sing" and ice-cream and cakes in the Bercovitz home. About fifty young people make up both choirs. Many outsiders crowded in to enjoy the hour of pictures.

Tseng Siang-tong, a graduate of our Mission Middle School and a recent graduate of the North China Theological Seminary, was ordained to the ministry at an impressive service in the Hoihow Church. He is now Pastor-at-large in the Vunsio Field, where he is showing marked ability in Christian leadership. (see page 10).

Born to Mr. and Mrs. A. E. French, Jr. of Kachek a daughter, Catherine Jane, on October 1, 1938.

Rev. David H. Thomas is the Mission's delegate to China Council which meets in Shanghai from October 20 to November 3.

The Mission extends a welcome to Mrs. N. Bercovitz who arrived back from furlough in October.

Miss Caroline McCreery left Hoihow the last week in October for a vacation in Siam.

Mrs. M. R. Melrose will sail for the States December 26, bringing to a close her two and half years voluntary service in Nodua, where she spent 42 years of her life before her retirement in 1932. These last extra years are deeply appreciated by the Mission and by a host of friends, foreign and Chinese, who regret her departure, but who wish her Godspeed.

Pictures in this issue are the contributions of Dr. N. Bercovitz and Dr. S. P. Seaton.

## THE FESTIVAL OF SPIRITS

By ALICE H. SKINNER.

This Newsletter is being prepared for our Christmas number and as it is the Christmas Festival at that time, I'll try to tell you something about a heathen festival that has been held here this month.

The Chinese 7th month, which is our August, is an important one to the worshippers of idols in Hainan. Each year great preparations are made for this festival, which some have called "All Saints' festival." A more appropriate name would be "All Spirits' festival" for it has to do with the spirits of the dead.

It is believed by idol worshippers that when people die their spirits go to Hades and become evil spirits or demons, and that on the first day of this 7th month, these spirits are released from their prison and are allowed to roam at will until the 15th, when they must return to their dwelling place.

During these 15 days, the people fast and pray and offer offerings to these spirits to appease their wrath, so that they will not "do them" as they say. That is, bring any kind of trouble upon them, such as sickness, death, being possessed by them, under their control causing them to commit suicide in one manner or another.

On the 15th, the streets are lined with sticks of burning in-

cense to light the way for these spirits to find their way back to the place from which they came. Buddhist and Taoist priests chant their prayers for hours at a time, while music, if such it can be called, is played. Men and women kneel before the altars bowing their heads to the ground as they worship and pray. Buddhist women kneel for hours and count their beads.

Many days and much money are spent in making the offerings for these spirits. They are made mostly of plain or fancy colored paper and consist of clothing, shoes and money. The latter is made of common yellowish, brownish paper with a square of gilt or silver on it to represent money.

The last day of this festival is the great day when hundreds of dollars worth of these kinds of things are offered to these spirits by burning them, so that they will have plenty to use in the spirit world and will not come and trouble the people.

This year three extra days were given to this festival in temples close by. Crowds of people attended. It was usually 2:00 A.M. when the chanting of prayers and music ceased. The air was thick with the smoke of the incense.

In watching these worshippers, one is impressed with the intense

earnestness with which they worship and pray, as if their very lives depended upon it. They live in such fear of the power of these spirits they are willing to do anything to appease them.

Oh, if we could only lead them to realize there is only One who can deliver them from fear, from the power of Satan and his emissaries, the One whose every

thought toward them is of peace and not of evil, to give them an expected end. Let us be intensely in earnest in seeking to lead them to know and to accept this Saviour who came on that night so long ago to bring peace and goodwill to all men, and who is with us still to give peace to all who will come to Him. Help us with your prayers. A Merry Christmas to all.

## A TYPICAL WEDNESDAY NIGHT

By E. MORSE, M.D.

Dusk is falling as the church bell rings. Oh, it's Wednesday—prayermeeting night. Where do we go to-night? Out to the electrician's house. And so we start. By the time we leave the compound our group is augmented by others who are responding also to the call of the bell. The straggling column of laughing and chattering folks moves slowly along the dusty market street in the gathering dusk.

As we enter the clean-swept yard surrounded on two sides by the thatch-roofed, mud-plastered bamboo dwelling and on the other sides by a thick hedge, it is just light enough to find our way to the seats provided for us. Lanterns are hung at the edge of the low broad eaves and in the trees, providing ample illumination for the use of hymn-books

and Bibles. Late comers arrive, are greeted by the host and his mother and are conducted to seats. The leader takes his place and the service begins.

Above the thatch roof restless points of light pierce the dark velvet of the sky. The night is vocal with many voices—children playing in the street—adults visiting as they stroll along—the soft drowsy sound of chicks and ducklings settling down for the night—the occasional contented grunt of a hog as her family finish their evening meal—the barking of dogs in the distance. A mild and welcome breeze stirs the leaves above us. Glossy black hair reflects the lamplight as heads are bowed during the leader's earnest supplication. Here is peace—and the Holy One in our midst.

## CHRISTMAS GREETING FROM THE HOUSE BY THE SIDE OF THE ROAD

By Mrs. S. P. SEATON.

The house into which we moved last February is the oldest foreign residence in Kachek Station. It formerly consisted of six rooms (three upstairs and three down) all in a row with an outside stairway, but it has gradually undergone changes so that now the stairway and back verandah are enclosed, two bathrooms have been made by enclosing part of the upstairs verandah, and a kitchen added to the west.

One of our downstairs rooms has been turned into a music room. Here stands the old family piano brought from California, a baby organ, a violin, a clarinet, a zylophone, some Chinese instruments, rhythm band instruments, phonograph, etc. This is where three church choirs meet every week to practice. The Cherubs love to sing, "Ziak sit moe li koang meng vut" ("All things bright and beautiful"), the Juniors, "Khoai lok, khoei lok, va-nang song bai" ("Joyful, joyful, we adore Thee"), and the Adults, "Va leng tsin tsae: tsio tu du lu zia fang" ("Be still, my soul: the Lord is on thy side").

One room is the "parlor" and the other the dining-room. Here we occasionally entertain our friends, both Chinese and foreign. The family is always de-

lighted for an excuse for "Chinese chow". (We find a Chinese feast costs more than a foreign feast, so we don't have them too often.) The dining table extends into a very good ping-pong table for the neighbor boys and ours to play upon. There are not many days when the gang can't play outside, but on occasional rainy days we find it assembled here and there around the house.

Upstairs are two bedrooms and another room which is the school-room. Four desks and other school accessories honor this room, for there are three students in this house under the tutelage of their private teacher—their mother.

In contrast to the Nodda and Hoihow compound we have kerosene lamps instead of electricity. We are hoping that some day the market will have an electric light plant and that we may be included among the customers. We have also been looking forward to the day when we may have water and sanitary systems. If that day ever comes, it will alleviate the servant problem which is the worst trial to missionaries.

In front and in back of this house are two parallel paths. They are both school paths and lead past our house not only to the mission grammar school but also through a gate in the wall

to a government high school beyond. Scores of pupils pass and repass over these paths every day.

We have learned to ignore peepers at the window every time we eat a meal, play the piano or play games indoors, and we are glad for the friendly grins and "bae-oa" ("peace") every time we step outside or look out the door. We have even learned to stop stock still and bow to a few of the pupils who are especially polite.

Very often our verandah shelters pupils from an unexpected downpour of rain, and our front stone steps with potted plants invite groups to pose for pictures. Redheaded lizards that remind me of the horned toads of California, because of the horns on their heads, sun themselves on our bushes. They are startling when one almost touches them when reaching for a flower or to arrange a plant, but the students throw their caps at them to try to capture them. Strange to say, nothing is said when one is captured but it's a different story when the slingshots appear, and several have been taken away to protect our birds.

Evenings, after their work is done, is the time for strollers from the market to wander around and enjoy our compound. Sometimes soldiers ask permission to eat and play games under

our trees. Sometimes they just march in and perform their fancy-toe-dancing bayonet and broad-sword drills beside our well in the back yard or other shady places. The auto road goes right past our gate, and last week we were called downstairs to find two British business men standing in our hall enquiring if they might stay overnight. They had driven from Hoihow through rain and mud. We are glad for all opportunities to help our brother-men.

"I see from my house by the side  
of the road,  
By the side of the highway  
of life,  
The men that press on with the  
ardor of hope,  
And the men that are weak  
in the strife.  
I turn not away from their  
smiles or their tears,  
Both part of an infinite plan.  
Let me live in a house by the side  
of the road  
And be a friend to man.

"Let me live in a house by the  
side of the road,  
Where the race of men go by,  
The men that are good, the men  
that are bad,  
As good and as bad as I.  
I would not sit in the scorner's  
seat,  
Nor hurl the cynic's ban.  
Let me live in a house by the side  
of the road  
And be a friend to man."

## THE DEVELOPMENT OF A CHRISTIAN NURSE

By CAROLINE MCCREERY, R.N.

"It would be nice to be a child again", wouldn't it," said H—as she looked back from the mature age of twenty-two or so. "We had such good times; all we had to do was to play all day. There was a little stream not far from our village where we used to like to go. Shrubbery grew along the banks, and it never seemed too hot. We would catch locusts and beetles and let them fly from the end of a string. And we would take a chunk of coconut tree trunk and float on it. I nearly got drowned that way, once; frightened my mother terribly. She was so frightened she went to a fortune teller, who told her there were three things I must beware of: water, (I was so scared over that experience that I didn't need to be warned about it); going up onto high places, and seeing the dead. Well, this last: knowing that I wasn't supposed to just made me the more curious, and though all our neighbors knew that it would be very bad luck for me to see a corpse, when there was a death in the neighborhood, I always attempted to see all I could. Later when I talked of going into nurses training, these two latter arguments were used to try to dissuade me.

"At New Years time it was lots of fun. Customs aren't the same even here in Hainan, but with us after the house was all

cleaned up on the last day of the old year, we bathed, washed our hair and put on new clothes throughout. Those who couldn't afford new things, put on clean ones. We even combed our hair the night before, and were warned that we must not get it mussed that night, for under no condition could it be combed on New Years day. When I was little we all had long hair, and it was well oiled and sleeked down. Usually there was so much going on that we hardly went to bed all night, so that it didn't get mussed. All the lamps were lit and were not allowed to go out until the Little New Years (the 15th). If through someone's carelessness one lamp went out, it was very bad luck. And all the brides went calling, that is the last bride in the family, sometimes she wasn't a very young bride! They all dressed up in their prettiest, and we youngsters followed them about the village.

"I hadn't started to school very long when the Communist trouble started and it was not thought safe for me to remain in the village. I would have gone to the Mission school if I could have combed my own hair, but since there were no maids for that purpose there, I was sent to live in the District City with my father's Secondary wife. Since that time I have been at home

very little. There were only two of us girls going to school; all our class mates were boys. I changed my name because there was a boy of the same name, and it was embarrassing for us both to respond when the teacher called that name.

"I was sixteen when I took the entrance examination to enter Nurses School. You remember I took the examination and was accepted, but I didn't come at once? Well, I had taken the examination without anyone's knowing, but leaving home and going to the hospital was a different matter. My relatives tried all sorts of ways to dissuade me, but I had always been very independent, and usually got my own way in the end. When, as a child, I was crossed I would go on a hunger strike until I got my way. Finally, though I was much later than the rest of the class, I entered."

This girl after her graduation from Nursing School, decided she wanted to take Public Health Nursing; so she was enrolled in the Autumn class under the National Health Administration, given in Nanking. Because she did not know Mandarin, she had the privilege of working in the University Hospital for two months before her course opened. She kept her eyes open there, learning many things that are different from a country hospital. She was very lonely at first, being unable to speak. "When I was first there, because I could not understand, I was very lonesome, though they were all so nice to me. I tried read-

ing the Bible, for during my time in the Mission Hospital in Hoihow I had heard the Gospel Message many times, and knew it was good. I got some comfort from reading, but after I was more acquainted, I didn't read so much and finally, I forgot all about it. There were several Christians in my class in Public Health; one turned over a new leaf at New Years, and got up early every morning for her devotions. I went to church with them sometimes, but it was very far, and I didn't care to go very much; Sunday was the only free day and there were other things I liked to do better. Our Dean was a Christian and gave us much good advice."

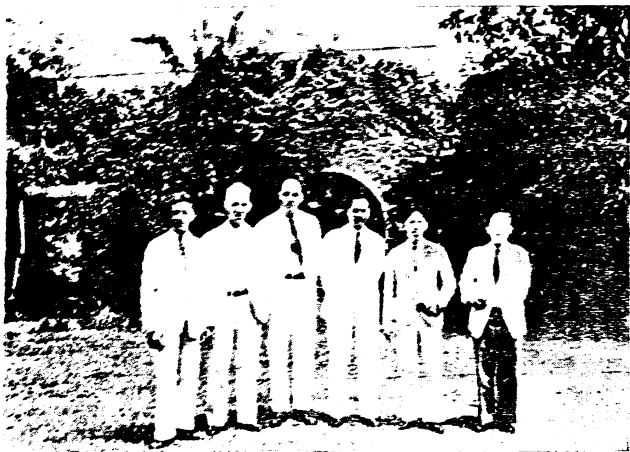
When she had completed this course, she returned to Hoihow, where she was employed in the Mission hospital. She was able to put into operation some of the ideas she had learned, helping us thereby. In the summer a severe epidemic of cholera broke out. A Temporary hospital was opened with volunteer workers. She asked if she could give full time, and was allowed to do so. After a month, it appeared that the epidemic was over, so that the place was left in care of others, but a few days passed and a second wave occurred, and more patients began coming in again. She said she thought that those who were there could do the work all right, that she would not return. She had worked so hard for the month, that the decision of returning was left entirely to her. Next day she came to the office

and said, "I can't stand it. I just know that they aren't doing things right. I've got to go back." So back she went for what proved to be another month and more patients than in the first one. It was more difficult, too, in that there were less volunteers than before, but she stayed until the place was closed. She was given a handsome gift by the Chamber of Commerce for her services.

A month or so later, she came down with a cold. She said she had a cough nearly every year, but this time it got the better of her. Having been in bed a week, she suddenly had a pulmonary hemorrhage, and it was found that she had tuberculosis. Her mother came to see her, and then went to a fortune teller, who told her not to worry, her daughter would live to be past sixty. She

stayed with us for eight months, gained twenty-five pounds and is well on the road to health.

Once when she was still a student, I asked someone if she were favorable to the Gospel, and the answer was, "She's not against it." She was a healthy, naturally happy girl who didn't see much in it for herself one way or the other. When she returned from Nanking, she attended church regularly, but was rather self-conscious when spiritual things were mentioned to her. But while she was in bed, she had lots of time to read and think, and she read her Bible and asked questions. She was baptised not long ago. One question put to her was, "Why is it that having been here so long, you now desire to take this step?" And her answer was, "Jesus was my doctor."



*Kheng-hoi Presbytery ministers at the ordination of Mr. Tseng*  
(l. to r.—Steiner, Tappan, Melrose, Tsiu, Tseng, Wang).

## LET'S ALL DIG

By META M. THOMAS.

Knowing that this Newsletter goes to a good many homes where there are young folks I'm writing of a little incident that happened here during August. Hainan, being a tropical island, gets a large amount of rain fall, especially during the summer months. This year the showers seem much later. For ten days we have had a heavy downpour every afternoon and with the rain is plenty of thunder and lightning. The compound is one sea of water during these rains and the topography being slightly rolling, a great deal of washing is done, especially to our paths. We don't have paved walks between houses but use gravel mixed with red earth which makes excellent walks, if you don't mind a pebble hopping into your shoe now and then. But when it rains these paths are all washed badly, a lot of the gravel being carried down the ravine to the river.

This ravine is quite picturesque and lends itself nicely to landscaping. At present we have a small lily pond in it fed by a spring from the banks. These banks, during the rainy season, are full of crab holes and it's the delight of Chinese and foreign children to rush down there and tease out these crabs, after a rain.

They each get a rib of one of the coconut palm leaflets and tie

a piece of nice juicy worm on the end of it. Then each finds a promising looking hole and pokes this worm down the hole. The crab either grabs the worm in its pincers and is then drawn out or else follows the worm out as it is pulled back by its owner.

This day they didn't seem to want to be teased out so the children ran for hoes with which to dig them out. I begged them not to dig for we had just planted the bank full of lily bulbs. I suggested that they go out the back gate and dig for crabs in the ravine just outside the wall. They went gladly. They soon tired of digging for crabs but were enticed by the gushing springs coming out of the banks. One especially large gusher promised a good body of water if they dug deep enough. So they set to work.

In a short time a squeal of delight was heard, for one boy had dug up a dollar. Then digging began in earnest and seventeen silver dollars were dug up, all black and dingy, but good money. The Chinese Pastor's son had found six, the evangelist's son eleven. Everyone wanted to dig. Bob was so disgusted that he had Flu and wasn't allowed out. No more were found but what an exciting time it had been for the children.

How had these dollars gotten there? Had they been there



long! Two of the dollars were quite old, one a Mexican dollar and one a French. Had a thief hidden them and been killed so as never to be able to return for his loot! Or when Communism was so rampant had some one hidden them for safety! Or had they been hidden at the time when the government issued a decree calling in all the silver, any-one having silver in his possession after that date to be arrested or money confiscated.

Many guesses, your guess is as good as ours.

Are there any treasures for the rest of us to dig up! Yes there are many treasures. God's Book is full of rich treasure for each of us. Treasure that will do our souls good and make us rich in His sight. Let's all dig for that treasure. We each have ample opportunity. The longer and more earnestly we dig, the larger our treasure becomes.

Rural churches in China are feeling their way to new forms of worship. I have never felt so near to God as in some little village chapel near the fields. A cross on a table, a few scrolls on the wall, some backless benches, but it all belongs to the people and to God. Songs, not merely translations of our Western hymns but more and more Christian verse set to Chinese music, throbbing with the pain and joy, the longing and hopes of country life, and rich in rural imagery. I think of the line in one hymn, "He is the spring wind and I am the grass; let him blow." And of that hymn with an old ballad tune which Christian farmers in many parts of China now sing as they go to their work. The first stanza goes, "Wearing our straw hats and carrying our hoes, We go to our fields, Praising the Lord." In Shantung and other provinces village Christians are singing whole sections and chapters of the Bible to old tunes that have come down through the centuries. To hear the twenty-third Psalm thus chanted by a country congregation is to be moved to tears.

"On Easter of last year I was with Frank Brown of Suchowfu in one of the rural churches of his missionary field. The Christians streamed in from the villages and filled the little chapel to overflowing so that we met in the yard outside. Each came with a wild flower in his hand and greeted his fellow-Christians, "Ye-su fuh-ho liao, Jesus is risen!" More and more the rural churches of China are giving the festival the place it deserves, the church festival and the Christianized native festival."

Excerpts from a talk at Cornell University by DR. FRANK W. PRICE of Nanking Theological Seminary.

## AIRPLANE ALARM

By LUELLA R. TAPPAN.

P-e-e-e-t! P-e-e-e-t! P-e-e-e-t! shrilled the sharp siren at the North Gate of Kiungchow City.

"Keng bo!" we all cried in unison.—"Airplane alarm!"—and dropped our work to rush for the American flags, hoist them up the masts and spread them on the lawns.

But no red ball was hanging from the signal tower which warned of a gunboat in the harbor. It must have been a false alarm. Everyone is so nervous these days that a vulture flying high has even been mistaken for the dread speck bringing death under its wings.

Instantly the streets were alive with humanity rushing from homes and shops to the nearest hideouts and caves with which the country outside is tunneled. A steady stream began to pour into our compound gates, children running ahead shouting in excitement, mothers and older sisters panting with babies on their backs, the aged and blind in eager haste fumbling and stumbling behind. Some with hastily gathered bundles. Others with pots of rice snatched from their rudely disturbed breakfast. All seeking the hoped-for protection of the Stars and Stripes.

But before all could reach us came the dread zooming of the plane in the clouds overhead and panic prevailed. We shouted to them to stop where they were and hide under the nearest tree or

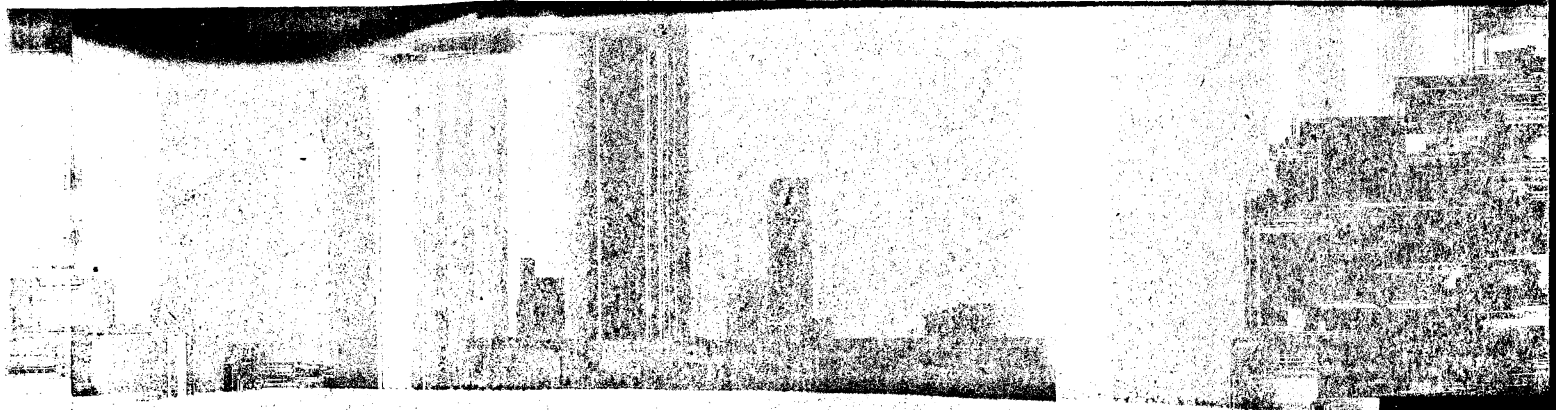
building but to no avail. They swarmed out into the open and ran frantically on, a vivid invitation to the bomber above!

Round and round it flew in huge circles, then suddenly spying its prey, swooped low over the City and dropped a bomb with a deafening clap like thunder. Walls shook and windows rattled. Our little pet dog crawled miserably under my desk. The children's ponies strained at their ropes. The crowd stood paralyzed. Deathless silence prevailed.

Off it flew into the clouds but before we could steady ourselves here it came again headed seemingly straight for our buildings. High above it circled over the city and again spotted the government yamen where we surmised the first bomb had dropped. A crackling hissing moment as the bomb released from on high cut swiftly through the air. Then a sudden BOOM!

A cloud of dirt spewed out of the earth filling the air with smoke and debris. "Pitkin is hit!" some one gasped. But the plane was still at work so we postponed investigations, but later learned the yamen was hit.

In the midst of the ghastly silence between bombs, what should we hear but the chattering of birds in the flame trees round about. How could they sing! They knew not fear! Black crested mynas, a swarm of them,



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

swelling their throats in reckless unconcern! Swallows chattering and fluttering as though nothing had happened!

"Not a sparrow falleth——." "Ye are of more value than many sparrows." These words flashed through our minds and brought us peace where there was no peace!.....

After three more bombs the all clear signal blew. The plane had exhausted its cargo of death and watching eyes had seen it return to the carrier in the harbor and telephoned the good news to the various signal stations. Some-

times it has replenished its store of bombs (did the scrap iron that made them come from your old car in America we wondered?) and made another visit but today we were spared. Everyone went back to work glad that the damage had been slight and that the soldiers had fled from the yamen so that not a life was lost.

We were interested to learn from Hongkong papers that came a few days later that "the Kiungchow government headquarters were completely wiped out" but nothing was said of the men who returned as soon as the attack was over!

#### THE CLOSING GATE.

"Honored Teacher: Please pardon this informal note but there is no time for more! Our hearts are too sad for words. When we planned to take the entrance examinations for the senior middle school here who knew that it would be this way? Only fifty students are to be received, and about forty places are being saved for the graduates of this school's own junior middle school! Relatives of the principal, friends of the teachers and those recommended by the government inspector will have first choice! Girls are very few and so every girl who takes the examinations will be accepted whether her learning is deep or not, so our three girl classmates have no question about success. Alas! Is the gate of learning to be forever closed to us? Farewell!"

This is a rather free translation of a despairing note received by Miss Moninger and signed by three Pitkin boys who were in Kachek taking the examinations. The three girls were received, and one of these three boys and one other Pitkin boy, so our school made five of the possible twelve places. The other four Pitkin boys who did not succeed are taking examinations for other schools and we hope will succeed. To date we know that nine Pitkin graduates (three from the class of the previous year) have passed the examinations for the Kheng-hai senior middle school, a privately established school in Kiungchow, and one graduate of the previous year has entered the normal school. Another graduate this summer expects to enter school in Hongkong. We are pleased that so many of our students are able to go on to senior middle school. One girl expects to enter the Hoihow Hospital Nurses' Training School.

#### A LA LIMKO

By HENRY H. BUCHER.

In recent years we have heard of endurance tests of all kinds differing from one another only in the degree of their absurdity. Recently at the Hau-lang Church about twenty-five miles northeast of Nodda I accidentally initiated a new kind of endurance test—not absurd but certainly a supreme test of one's "sitability."

A team of five of us went over to Hau-lang Church to conduct an eight day Bible Institute. Though the attendance was not as large as we had hoped that it would be, the instructors were all well-prepared and gave good "meat." It was a success!

By the last day, which was the second Sunday of our stay there, our team had grown in numbers and by happy coincidence included three of the four active (and on the field) ordained ministers of this Presbytery. As the official, though not resident, pastor of the Church I determined to take full advantage of the unusual circumstances and give each of the other two ministers a leading part in the day's services.

At the suggestion of the elders we arranged to have the pastor of the Nam-kiang Church, Rev. Ngou Dau-nam, take charge of the main service and in lieu of the usual sermon make plain to the local Christians the essential differences between the Gospel of our Church, the Church of Christ

of China, and that taught by the Roman Catholics and the Seventh Day Adventists. This was a much needed lesson as both of these groups are increasingly active in this area!

There were three newly elected elders awaiting ordination. We arranged to have the other pastor, Rev. Fu Vun-khai, the Moderator of this Presbytery (Damilim Pres.), take charge of a "short" ordination service, though pastor Ngou and I assisted him in the laying on of hands.

The third service, the Baptismal and Communion Service, I moderated with the able assistance of the other two pastors. One infant was baptized; three adults, one man and two women, were baptized and received into the Church on first confession of faith. The congregation of eight or nine hundred had thinned out somewhat by the third of these successive services.

This plan was ambitious and comprehensive; it was aimed at taking the fullest advantage of the unusual occasion. We feared such a succession of services might prove too long and wearying to the flesh, so each agreed to shorten his part to a minimum. However, every hymn seemed to have ten verses, every prayer was a sermon, and every announcement was twins. The address on Evangelical Christianity versus



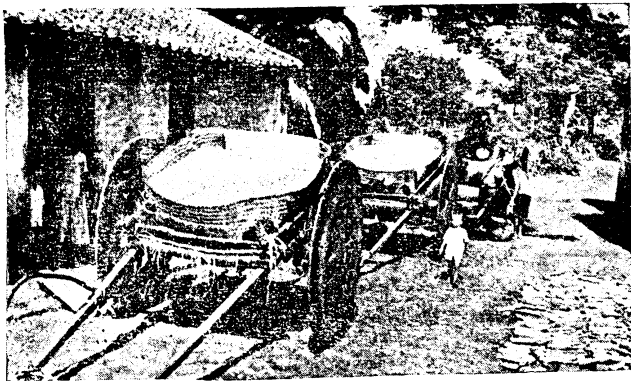
Catholicism and Seventh Day Adventism was masterful both in content and length. The ordination ceremony proved very effective but lacking in terminal properties. "Anything that is good is even better twice as long drawn-out" seems to be the Chinese maxim.

A baptismal service where all the charges and explanations have to be interpreted from Hainanese into Lim-ko can hardly possess the quality of brevity; nor can a communion service be very short where several hundred people are served from two plates and one hundred odd wine-cups. Immediately after this communion service followed another period of announcements having to do with the Church finances.

The morning's services started shortly after 10:30. There was a short intermission of five or ten minutes between each of the main

services. When it was all over and the smoke had cleared away it was 4:00 P.M.! Several hundred of the original congregation had sat patiently through this whole series of services. I was nearly worn out nervously myself and felt very apologetic for my share of responsibility in making the women and children sit so long in one place, *but I didn't need to feel so.* The Lim-ko's one and all thought it was perfectly splendid, altogether the biggest day in their Church for many a year. And it was!

I was reminded of the response I once heard from a Siamese Christian when it was suggested that a service was too long for comfort. In substance it was this: "If we are going to take the trouble to get washed and dressed and come some distance to a Church service we want it to be good and long, long enough to be worth our while in coming."



Carts with rice brought in from villages ready to be taken to markets.

## YE MUST BE BORN AGAIN

By MARGARET R. MELROSE.

For some time before the autumn of '37 the church plant at Nodoo suffered all sorts of depredations at the hands of a gang of boys, whose homes were in this end of town. There were broken windows and ruined trees, heaps of filth and rubbish left on steps and verandahs. When the caretaker attempted to interfere, catcalls and abuse greeted him, the gang rushed for the outside gate, and he was fortunate if he were not hustled or knocked about. These boys were between fourteen and sixteen, and some of them had been in our school. One was a son in a Christian family so they all knew something about Christianity and were wont to revile it in a dreadful way.

In September last year three of our Christian young people, two of whom were teachers in our primary school and the third a town girl, and two of whom had attended Pastor Soong's meetings in Amoy, started evening meet-

ings in the home of one of them. They gathered in the street children and taught them many choruses and hymns. The gang at first stood outside the door but gradually they too went in and took part and remained for the whole meeting. In November a week of evening evangelistic meetings was held in the church. The children did a lot of singing followed by an evangelistic meeting in which the frequent theme was "Ye must be born again." Every member of the gang heard the call and was surely born of the Spirit, for now, almost a year later, this group of boys are always at church and other Christian services, and go on evangelistic trips as well as keeping up regular Bible study. I was speaking to a woman about the leader of this gang and she said, "We have heard evangelists preach about being born again, but now we see A-chong and know just what it means." For those born of the Spirit *do* mind the things of the Spirit.

## IS IT NOTHING TO YOU?

A well known British religious leader according to the Chinese Recorder says; "The humiliating thing is that the Chinese resistance has been of direct assistance to the peace of Europe. It is a humbling thing to reflect on what European peace may owe to the incalculable sufferings of hundreds of thousands of Chinese peasants."

## PEACE

By ARTHUR E. FRENCH, JR.

In all countries of the globe, among all races of men will be found those who at this season of the year will raise their voices to sing the familiar words, "Glory to God in the highest, and on earth peace among men in whom he is well pleased." Yet in many climes, those living under different flags will cry out at this Christmas season, "How long, O Lord?" We will talk peace and we will sing about peace and we will believe the words of the angels when they sang at the birth of our Saviour, "Glory to God in the highest, and on earth peace among men in whom he is well pleased," and yet our eyes see and ears hear of wars and rumors of wars and our hearts take up the refrain, "How long, O Lord." How long until, "He will decide the disputes of the nations and settle many a people's case, till swords are beaten into plowshares, spears into pruning hooks." Until, "No nation draws the sword against another," and, "no longer shall men learn to fight."

It is not uncommon to hear that since the members of a certain village have accepted Christ and joined the church they quarrel much less than formerly. Before disputes were common and now they are rare. If this is a true picture of the family and of the village, what about the larger family of nations? Are the nations turning their backs to Christ? In some cases it would seem that we have elevated the

individual and lowered the King of Kings. Nations are composed of families and villages. What happens in the village can happen to the nations if which each shoulders his responsibility.

The total number of years spent for Christ on this Island number several hundred. Thousands have heard the Gospel story and many have accepted Christ as their Saviour. Yet above it all is heard the steady tramp of soldiers' feet. We retire at night with the sound of soldiers' voices in our ears and long before the break of dawn we hear the bugle call. War is in the air. Daily we can see the soldiers at bayonet practice learning the most efficient method to run through another human. And we cry, "How Long, O Lord?"

In spite of our yearning for peace, for world peace, we must, if we are honest, admit that we as individuals have done very little to bring it about. The soldier that fights is a hero. We still get a thrill as the parade passes along the street and the man with the gun we cheer. We cry, "Peace, peace," when there is no peace.

Only when nations bring all under the control of Christ will there be peace and that will only come about when you and I, in the place where we live, live and give Christ. When the peace that passeth all understanding dwells in the hearts of men, then and only then will the peace of the world be assured.

## WAR SHADOWS

By DAVID S. TAPPAN.

Hainan is only an island off the coast of China but war shadows fall here as in other parts even though they are but a sample of the darkness of the desolate war areas.

War refugees are here. But they have not been driven from their homes. They have been driven from their schools, shops and places of business in the war zones back to their native villages in Hainan. A Christian whose home home is near the Hummocks, the extinct volcanoes west of Hoihow, had a valuable bee farm in Nanking. When the Japanese attacked the capitol, he was compelled to abandon the farm and join the thousands who trekked up the Yangtse river some four hundred miles to Hankow and thence down to Canton by rail and on to Hainan by boat. He said the government assisted the refugees, hundreds of thousands of them, by giving them food along the way or provided them with twenty cents a day to buy it. He has lost several thousand dollars but seemed thankful to be well and alive in his native village after his harrowing experience. However he seemed very anxious about the future.

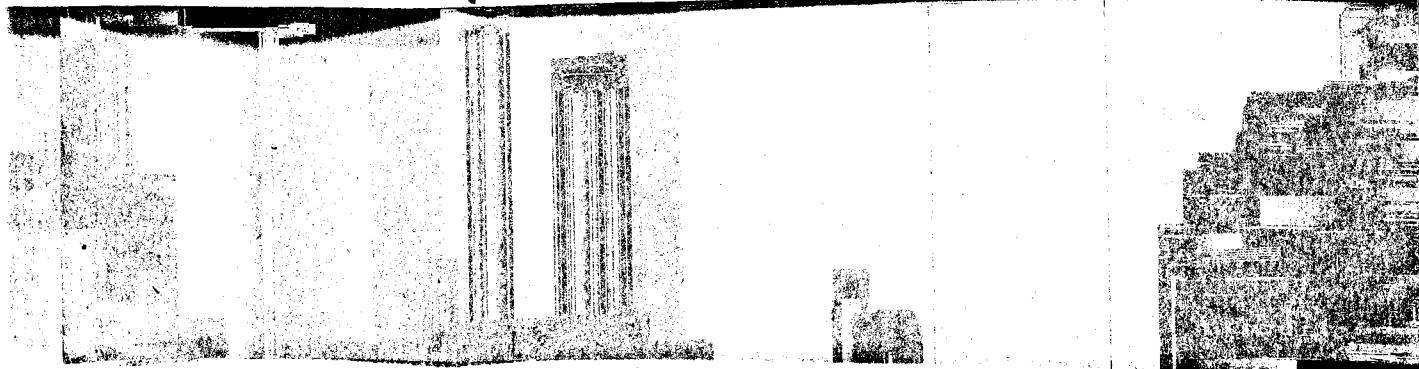
Mission and government schools have been forced interior to escape the danger of bombing in Kiungchow since the Japanese planes have been making periodic visits for the past year to the

coast cities. This is but a sample of hundreds of universities, colleges and high schools all over China who have left their well-equipped plants to set up school in some out of the way temporary quarters in the interior. This has brought educational advantages to such districts that they have never had before.

Many wealthy Chinese have left their native homes for British Hongkong or Singapore and will wait until the war is over to return for well they know the danger of personal enemies rising up at such a time to accuse them of being traitors, have them put in prison or pay thousands of dollars for their release.

Like Abraham of old, men, women and children are seeking new homes. I wonder if some warlike nation drove that father of the Jewish nation out of Ur of the Chaldees. Like him, they are men of faith looking forward to a time when their nation will be free and peaceful.

As a visitor leaves Hoihow to drive to Kiungchow he will notice the ruins of the mayor's office building. In Kiungchow he will also see the block of ruined homes near the military headquarters. Near the fort west of Hoihow are shell holes the result of Japanese naval bombardments. This is merely a sample of what is happening in many parts of China. Only a few soldiers are killed but more civilians and



women and children. Sometimes the bombs hit the mark but more often miss and the innocent suffer. The bombings do little or no damage to the military for they have already moved their headquarters to shaded villages which completely hide them from the skies. As far as Hainan is concerned the military results of air raids and naval bombardments are as nothing compared with the waste of money by the Japanese.

Hainan has been spared the shadow of seeing wounded soldiers being brought in from the battlefield to overcrowded hospitals. But it was brought near when we attended the big memorial service for the aviator son of one of our Christian mothers who gave his life in one of the many air battles over Canton. This is but one of numberless services of this kind being held over China in honor of her brave defenders.

Taxes have been greatly increased and salvation bonds are being continually issued to meet the expense of the war. This has caused great hardship to the small business man and shop keeper. A district official was promoted to Kiungchow because he was very successful in raising various loans and assessments. A Chinese friend remarked that it does not mean that he was a good official in the old sense of the word as being a just father-protector of his people but only that he was skillful in getting money out of the people.

Falling exchange is one serious effect of the war. Until a few years ago we dealt only in silver

dollars and copper pennies. Then the gov't called in all the silver and issued national paper currency at a fixed rate of exchange. The silver bullion was stored in gov't banks and since the war shipped to Europe and America. This greatly strengthened the gov't's financial policy. Paper money retained its value in relation to foreign exchange with little variation. Thirty-one cents American money would purchase one dollar Chinese currency. In June the currency began to drop in value until the middle of August, at the time of this writing, one American dollar is worth six Chinese dollars. Some say that government has fixed the rate so that Chinese will cease purchasing foreign goods and thus keep the money in the country. Others say there are new issues of paper money without adequate reserve. Whatever the cause it has greatly increased the cost of all foreign goods. A five pound tin of Klim costs twenty dollars in Hoihow to-day. Gasoline is \$1.89 cents a gallon. Iron and cement, in fact all foreign goods, have almost doubled in price. This has worked great hardship among the Chinese but does not affect so much the missionaries whose salaries are reckoned in American money. Neither does it affect the wealthy Chinese who have their surplus funds in Hongkong banks which are independent of the fall of Chinese exchange. But it does affect the small business men and shop keepers. Splendid harvests have prevented any unusual hardship

or want among the people of Hainan who are mainly rural. Should a typhoon destroy this year's harvest there would be great suffering for the adverse exchange would make impossible the purchase of rice from Siam where Hainan buys in lean years. Because of bountiful harvests a majority of the country people do not realize that their country is at war and things go on as in former years.

Soldiers are being conscripted into the army and we are awakened daily long before daylight by the drilling of new recruits. They seem to be unusually promising material judging from their alert air and good physique. If Hainan is a sample of all China there will be no lack of man power to carry on the war indefinitely.

The moral of the people is remarkable. They believe they will eventually win. They do not show hatred for the Japanese people but blame the military for ravaging their land. Japan has a

tremendous task if she hopes to exhaust China.

The Chinese are more than friendly to foreign missionaries and Christian workers. They flock to our mission compounds for refuge in times of bombing. But they still hold on to their ancient superstitions as we were reminded by the way the crowds have swarmed to the large idol fair which has been held the past three days in the temple over the wall from our compound. The fact that Christian nations are selling war planes, gasoline and shrapnel to enable Japan to bomb defenceless Chinese does not help the cause of the Prince of Peace. After a bombing it is hard to answer Chinese viewing the ruins when they ask why America helps Japan to do this? We find it difficult to say that America sells war materials to anyone who pays the price. When will Christian nations practice Christianity at home as well as send missionaries to China to preach it? Then only will there be peace on earth, good will toward men.

"The religious conception of the present Chinese youth has greatly changed, especially, since the outbreak of hostilities. They do not feel interested in mystical theological problems but in the social application of Christianity. They are not so much concerned over the questions about life after death as they once were, but their concerns are about the present National Crisis and international peace. At a students' meeting at Ichang, they submitted more than fifty questions. Some of the typical questions are: "Can Christianity save China?" "Why does not God restrain the stronger nations from oppressing the weaker ones?" "When both Chinese and Japanese Christians are praying for national victory, which will be heard?" "How can we find God?" "How can we be sure that there is a Power who cares and with whom we can work?"

from a report by REV. C. T. TSAI.

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

## AS THEY SAY IN CHINESE

By M. M. MONINGER

Christmas gifts do not usually come in August, but it has been just like one this summer to have a little time to work at my favorite hobby, my Hainanese Romanized-Chinese character — English dictionary, with Mr. Iap. It's been a whole year since there has been any chance to work at it except to jot down material now and then, as words and phrases penetrated at last ears that had probably heard them several hundred times without really realizing the significance. It is strange how a word you suddenly really hear for the first time bobs up to meet you so casually right along afterwards and you come to the conclusion that it has been there all the time. Some Chinese phrases are really very expressive, and Mr. Iap has scores of them, it seems to me. Would you be interested in just a few, picked at random?

"A mosquito stabbing a buffalo's horn." How is that as a symbol of utter futility of effort?

"The old cat fell off the idol-shelf"—where it had doubtless walked innumerable times before. Even experienced ones can make a mistake.

"A toad in the bottom of a well"—is no more stolid than a person who *will* not keep up with the times.

"Looking at the sky from the bottom of the well" of course gives a very narrow field of vision and a small outlook on life.

"Sitting on the buffalo's back and hunting for it"—where we say we couldn't see a thing that was right under our nose—or, "if it had been a snake it would have bitten you."

"A dumb person eating very bitter medicine"—a person forced to do a very hard thing without the privilege of complaining.

"Putting the yoke on an untrained cow"—breaking in a new worker at a strange task.

"The greedy cat is eating the sun (or moon)"—so of course there is an eclipse.

"Asking the evil spirits for illness" isn't so much different in actual connotation from our expression "Tempting Providence"—and is a sad commentary too on the people who know only evil spirits and no loving Heavenly Father.

## REFLECTIONS OF A MISSIONARY DOCTOR

By NATHANIEL BERCOVITZ, M.D.

I was sitting at my desk one particularly hot afternoon not so long ago. I had just prepared for the mail an order of certain things to be purchased in America. These included engine parts, screening, and some other items of hardware. The carpenter had just been in to see me about repairing some windows damaged by the typhoon of the day before. The cook had also been in to ask me to have the mason repair the kitchen stoves. I had on the desk beside me memos regarding the rise in prices of all drugs and supplies due to the great drop in exchange. As I pondered those memos I was troubled because I knew that I could not raise our small fees in the hospital because the people simply don't have the money to pay more. I realized also that the drugs and supplies had to be bought, but just what should be done was not clear. I was thinking of various needs for equipment all over the hospital, and need for more nurses to care for the many patients which had been coming in—more acutely ill patients than we had had for years. I was thinking of our crowded conditions—especially the rooms and wards for women and children, built when the hospital was begun as a very small institution nearly 50 years ago. I was thinking also of several surgical cases in the hospital, especially in women, such as we

had not seen in the early days of the work. And then my reveries were broken by the Superintendent of Nurses who told me we simply had to have some new patients' clothes made—could we afford to have that work done—well, it had to be done anyway—we were happy to have so many patients, and they had to have clothes—

And then I said to myself—and this is missionary work! Hardware, and masons, and drugs, and cost of supplies, and clothes for patients, repairing broken windows, and getting new screening where people who had never seen a foreign building to say nothing of screens, had poked fingers, or sticks through to see what would happen; new engine parts.

But just then I heard a woman's voice singing. By no standard however charitable could the voice be called beautiful, altho the tune was carried. I slipped around to the ward and saw Miss Lai, the woman evangelist, the center of a crowd of women patients and their friends and relatives from the villages, thrilled as she sang the old Gospel song, and listening intently as she told them a Bible story from the chart she was holding in her hand. Passing another ward for women I saw a group gathered around an old lady from whom I had removed

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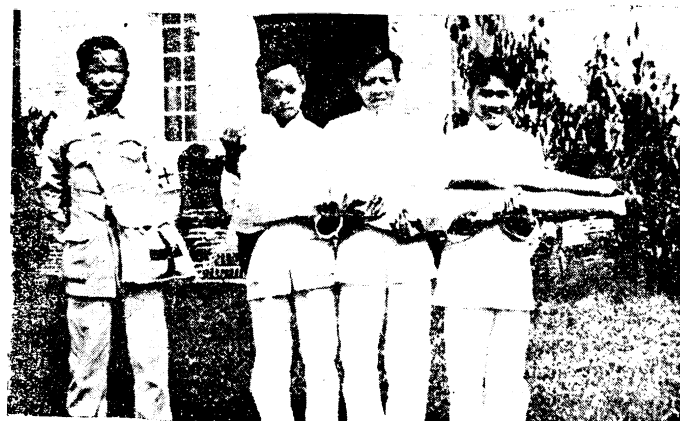
a large tumor some four months ago, and she too was telling them a Bible story. As I returned to my office my X-Ray technician was waiting for me. He is an elder in the church, and was there to tell me that since it would be Communion day on Sunday, he was going over to the church to help examine candidates for baptism, and he added that two of the nurses of the hospital who had been with us for some years were coming before the session for baptism.

I sat alone by my desk and thought again for a time—and then I mailed my letter. The order for engine parts, for screening, the details of repairs, patients clothes, equipment, building problems, finances, they are all missionary work in a real sense. Because they are part of what is necessary to keep this large hospital going, and in this hospital men and women are hearing about Christ, and men and women are being brought to Christ.

American Presbyterian Hospital, Hoihow.



Mr. R. C. Lee, Director of Red Cross, Hainan, China, and 16 cases of Red Cross supplies ready for shipment to centres along coast and in principal cities of Hainan. Supplies were prepared in Hoi How Hospital.



The three-man carry, as demonstrated by a student squad, at Christ Hospital, Kuchek.



Group of Women preparing Red Cross supplies in Hoi How Hospital.

## VACATIONING IN HAINAN

By LOUISE SCOTT BUCHER.

There are many ways to spend a vacation. We may go to the mountains at Lan-tau; to the seashore at Cheung-chau; to the missionary home or hotel in Hongkong; or we may stay at home-which is often to be preferred above the others. We did not deserve a vacation this summer. We have been back from Hongkong only six months. However we knew if we did not get away for a little change before school starts and the fall work begins we would not get away for a year. We did not choose any of the above mentioned places but decided a trip in Hainan would be interesting.

On Friday morning, very early, we got our little family together and started off to Hoihow. It was a beautiful day and the roads were not as bad as they can be. We stopped at "Deep Forest" village and had our lunch. While there we met a Filipino family on their way to Hoihow. They had been experimenting with sugar and rubber but were greatly discouraged because of the drought and the war conditions and were going back to the Philippines.

Our three days in Hoihow were spent in shopping and visiting. On Sunday we went back to our former home in Kiungchow and went to church. The Chinese seemed quite happy to see us and that made our hearts glad. We also had time to visit with all the missionaries.

The following Tuesday we prepared for a trip to Kachek even though rain was threatening. Having rained hard the day before the roads were slippery but there was no trouble. We should be as well prepared as one Chinese man we saw. In the distance was a big car that had slipped into the ditch beside the road. At first it looked as if it were deserted but on coming closer we saw a collapsible cot placed in the shade of the car and the driver asleep on it. Why worry about a little thing like that? About three o'clock in the afternoon we arrived in Kachek tired but happy. Our three days there were spent in visiting our missionary friends and renewing our Chinese friendships. We had not been there for a year and, the Thomas family having just returned from furlough, we had not seen them for two years. Our Kachek compound is said to be the second most beautiful compound in our China Mission and it is truly a lovely spot. It seemed to me the coconut palms were unusually pretty this time.

Our visit drew to a close entirely too soon but we felt we must get back. We dared try a new road across country and make it back to Nodoo in one day. On Saturday morning we got an early start and although it was raining we still had hopes that we could make it. The scenery was lovely. I shall never

forget one view from a hill overlooking rice fields many feet below. We had to cross one river. Not knowing from which side the next boat would come, the ferry boat had been left in midstream. The boatmen got on a small boat and rowed over the deepest part and then waded to the boat the rest of the way. A new way to operate ferry boats, don't you think? When we got on the other side we had to get into the water and wade ashore. Even the car had to go off in the water but it worked out all right. About half way home we had a little trouble with a short circuit in the self-starter of the car and

had to change a tire. The children liked the stops for they could get out and run around. We arrived in Nodoo around six o'clock in a tropical downpour but we were happy to see that for rain is sorely needed. However we were glad it had waited until we neared home. We had had a lovely trip but we were happy to be home again.

Here I sit writing of vacations but by the time you get this it will be Christmas. We wish for all of you a very happy Christmas. May the coming of the Christ Child have a deeper meaning for you this year than ever before.

## HAINANESE BABEL.

At a recent Christian Endeavor Meeting on Nodoo Compound the leader spoke in Limko, one of the participants spoke in Mandarin, another who is Limko spoke in Hakka. Later speakers used Hakka and Mandarin. Not once during the evening was Hainanese heard.

On another occasion a young man who is a Limko was asked to preach. He could have preached in Hainanese, Limko, Hakka, Mandarin or English with equal facility, but he elected to use Cantonese!

Do you wonder that the Chinese in this area are natural linguists and that any foreigner who resides here needs the gift of tongues?

## SON OF GOD.

Did Mary, when she saw her son—  
Forgetting pain, the trip, the night  
When none could spare her room and light—  
Then deem his birth her duty done?  
Did Mary know that shed of sod  
A shelter gave the Son of God?

Did Mary, rather, see her son—  
Rememb'ring pains, and wrongs and ills  
That spread o'er earth from Bethlehem's hills—  
As what with God he might become?  
Did Mary guess that bricks or sod  
Whatever, shelter sons of God?

E. W. FRENCH.



## FROM A FOREIGN KITCHEN

By GENEVIEVE BURK WALL, R.N.

"I must quit now and go home to rest and eat some medicine. My feet hurt heavily when I stand most of the day. I do not want to desert the work and will come back to help a little if something important comes up." It is a few days before Christmas and I find myself without a cook.

I'm in the kitchen doing my own cooking. Bread must be made to-morrow and the yeast made to-night. I collect the potatoes, sugar, flour, hops and starter and start in.—Early this morning I set the sponge, the dough has been kneaded, has risen and is ready for the oven. The stove, a "tau," is made of brick and mortar. There are no lids for the fireholes so one cooks over the open fire. Charcoal is used. The oven, made of two kerosene tins, is placed over the fire, glowing charcoal put on top of the oven and the bread put in to bake.

The kitchen is a separate building and one must waste many steps running up and down stairs, back and forth from the house to the kitchen. The shelves, pots and pans are covered with charcoal dust and fine ashes. The concrete floor is damp from the seeping earthenware water-jars, mosquitoes buzz up through the concrete drain of the impossible-to-get-clean concrete sink. As you see there is cleaning to do, so up roll the sleeves and I

dive in. Don't forget for a minute that I'm not realizing how handicapped the cook was when he tried to be clean and efficient.

Here comes the coolie, back from the market with a small chunk of pork strung on a bamboo stick, three duck eggs, a big fat cucumber and a dozen bananas. They are all unwrapped, carried openly so the whole market can see what we are going to have to eat to-day.

Each summer we buy seeds from Australia, Hong Kong or the United States. They are planted in the fall and in December the plants begin to bear. Fortunately I can go out into the garden now and gather peas, beans, beets, carrots, lettuce and a few tomatoes. Soon there will be cabbage and corn. These simplify the food problem in the winter and spring. During the summer and fall we try to make the native vegetables palatable.

After a month of searching here comes a prospective cook from a village. He knows nothing about foreign cooking but is anxious to learn. I ask him if he knows what these vegetables are. He has never seen them before. He has never used knives and forks and looks at them with curiosity. A handkerchief and table napkin are one and the same to him. I remember I was equally as ignorant about Chinese things when I first arrived.

## HAINANAGRAMS.

Did the scrap iron that bombed Hainan come from your old car in America? see page 14.

Like Abraham of old, men, women, and children are seeking new homes. see page 19.

The fact that Christian nations are selling war planes, gasoline and shrapnel to enable Japan to bomb defenceless Chinese does not help the cause of the Prince of Peace. see page 21.

We find it difficult to say that America sells war materials to anyone who pays the price. see page 21.

When will Christian nations practice Christianity at home as well as send missionaries to preach it? see page 21.

Idol worshippers live in such fear of the power of spirits that they are willing to do anything to appease them. see page 5.

Water and sanitary systems will alleviate the servant problem, which is the worst trial to missionaries. see page 6.

We have heard evangelists preach about being born again, but now we see A-chong and know just what it means. see page 17.

"Anything that is good is even better twice as long draw-out" seems to be the Chinese maxim. see page 16.

"A toad at the bottom of a well"—is no more stolid than a person who will not keep up with the times. see page 22.

The order for engine parts, for screening; the details of repairs, patients' clothes, equipment, building problems, finances—they are all missionary work in the real sense. see page 24.

She was so frightened that she went to a fortune teller, who told her there were three things I must beware of—water, going up onto high places, and seeing the dead." see page 8.

"In some cases it would seem that we have elevated the individual and lowered the King of Kings. see page 18.

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

# TELEGRAM RECEIVED

MJD

GRAY

FROM

Tsinan via Tsingtao and  
N. R.  
Dated January 25, 1939

Rec'd, 7:30 a. m., 28th.

Secretary of State,  
Washington,

4, January 25, 9 a. m.

Preparations for a general offensive against guerrillas

in this part of Shantung have been evidenced during the past few days by a strengthening of Japanese forces and the announcement in the press that effective January 23rd the coast of northeastern Shantung would be blockaded, except for the navigating of third power vessels, for "the convenience of operations of Japanese troops". It is understood that concerted drive on guerrilla strongholds in northeastern Shantung was launched at bases along the Tsingtao Tsinanfu Railway on January 17th and the Japanese claim the capture of latter on the 21st, Wu-ting-fu on the 22nd, Pinhsien and Yangtiokow on the 23rd, and Litsing on the 24th. Japanese planes are said to have participated particularly against the retreating Chinese who fled the sparsely populated region north of Pinhsien. The above named cities were formerly held by guerrillas under Shen Hung Lieh the legitimate Governor of Shantung.

The Japanese action in blockading the coast may indicate that



793.94/14648

F/FG



765  
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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

MJD -2- No. 4, January 25, 9 a. m. from Tainanfu via  
Tsingtao

that they feared Shen might escape by sea or that they are  
landing troops from transports to cut off his retreat and  
surround him. In any case the present position of Shen  
and his followers appears extremely hazardous.

Repeated to Peiping and Chungking; by mail to Tsing-  
tao.

HAWTHORNE

WWC  
KLP

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

HR

## TELEGRAM RECEIVED GRAY

Peiping via N. R.

Dated January 29, 1939

Rec'd 7 a.m.

Secretary of State,

Washington.

57, January 29, noon.

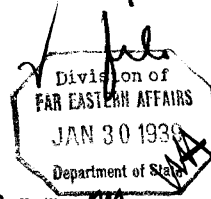
Department's 22, January 28, 2 p.m. *WML*

Chefoo's 9, January 28, noon, repeated to Tokyo under  
 date of January 29, 10 a.m. . .

True reading of Chefoo's July 1, 10 a.m. sent to  
 Tokyo by mail on July 2, and Tokyo so informed today by  
 telegraph.

LOCKHART

CFW



793.94/14649

FILED  
 JAN 31 1939

F / FG

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

## TELEGRAM RECEIVED

JR

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

FROM

Tientsin via N. R.

Dated January 30, 1939

Rec'd 6 a.m.

Secretary of State,  
Washington.

January 30, 11 a.m.

Although, as stated, reports of troop movements in my January 21, noon, were obtained from a usually reliable source, subsequent inquiries <sup>have not</sup> confirmed them and it now appears they were much exaggerated.

Sent to Peiping, Chungking.

CALDWELL

RR

FEB 2 1939

793.94/14650

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0655

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

Confidential

CONFIDENTIAL

P A R A P H R A S E

A telegram of January 30, 1939 from the American  
Consul General at Tientsin reads substantially as  
follows:

It seems now that the reports contained in the  
Consulate General's telegram of January 21 in regard to  
troop movements were much exaggerated although as stated  
in the telegram the information was obtained from a  
source which is generally reliable and was confirmed by  
later inquiries.

793.94/14650

egc.  
FE:EGC:HJN  
1/31/39

FE  
FE

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

*Copy in paraphrase*

5372

TELEGRAM RECEIVED

JR

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

FROM

Chungking via N. R.

Dated January 30, 1939

REC'd 6 a.m.

*paraphrase*  
SENT TO  
L. AND M.I.D.  
*in confidence*

Secretary of State,  
Washington.

Division of  
FAR EASTERN AFFAIRS  
JAN 30 1939  
Department of State  
*773.94/14603*

60, January 30, noon.

Last substantive paragraph Peiping's 25, January 12.

6 p.m.

British Embassy here has visaed for travel in Great Britain nonofficial passport issued by the Chinese Foreign Office to Wang Ching Wei. Before granting visa the British Embassy inquired informally of Chiang Kai Shek whether he would approve and ascertained that he had specially intervened to make a foreign tour by Wang possible. Repeated to Peiping.

*note*  
*841.111*

PECK

DDM:HTM

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

CONFIDENTIAL

Confidential

PARAPHRASE

A telegram (No. 60) of January 30, 1939, from the American Embassy at Chungking reads substantially as follows:

A nonofficial passport issued to Wang Ching-wei by the Chinese Foreign Office has been visaed by the British Embassy in Chungking for travel in Great Britain. Upon inquiring informally of the Generalissimo, prior to visaing Wang's passport, the British Embassy learned that the Generalissimo had intervened especially in order to make it possible for Wang to travel abroad. In this connection, see the second substantive paragraph in the paraphrase of telegram No. 25 of January 12 from Peiping.

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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 893.00/14309 FOR Tel-53; 3pm

FROM China (Chungking) (Peck) DATED Jan 26, 1939  
TO NAME 1-1127 ...

REGARDING:

Sino-Japanese situation.

Fifth Plenary Session of the Central Executive Committee.  
Opening address by General Chiang Kai-shek on state of the  
country; China's unity; the government's solicitude for  
the people; Sino-Japanese conflict.

FRG.

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

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REB

PLAIN

Chungking via N. R.

Dated January 26, 1939

Rec'd 3:53 p. m.

Secretary of State,  
Washington.

53, January 26, 3 p. m.

The opening address by General Chiang Kai Shek at the inaugural session of the fifth plenary session of the Central Executive Committee was made public in Chungking on January 26.

Declaring that "the primary mission at present is to recognize the object and the conditions of Japan and ourselves and to be firm in our resolution and in our confidence," General Chiang reiterated his conviction that China must emerge victorious. He asserted that Japan would fail for the following reasons: (one) deviation from fixed program in continental policy; (two) inability to achieve its aims of "conquest without war", "speedy decision through quick struggle" and "speedy conclusion of war through early compromise"; (three) failure of Japanese military strategy through ignorance of own situation, seeking victory through ingenuity and lack and isolation of military forces through deep penetration into

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

REB

2-#53, From Chungking, Jan. 26, 3p.m.

into China; (four) failure of political strategy in consequence of use of corrupt politicians in organization of puppet regimes, isolation of military forces resulting from contradictions in policy; and (five) failure to understand the history and the strength of the people of China and especially failure to recognize the special characteristics of the current age and of the development of the revolution in China.

General Chiang called for intensification of efforts in the struggle ahead declaring "we certainly must not at this stage compromise or yield." General Chiang emphasized "the development of international conditions is undoubtedly toward maintenance of justice and peace. The various democratic states are daily strengthening their preparations and determination to check aggression. We must follow this expanding road of justice and thoroughly carry out our policy of resistance to the end".

General Chiang went on to say that China must overcome Japan through use of national unity, development of agriculture, practice of economy, war time construction and carrying out of San Min Chui.

Repeated to Peiping. Peiping mail Tokyo. (END SECTION ONE)

PECK

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

EDA

PLAIN

CHUNGKING VIA N.R.

Dated January 26, 1939

Received 7:30 a.m. 27th

Secretary of State

Washington

53, January 26, 3 p.m. (SECTION TWO)

General Chiang asserted that in the course of hostilities Japan has suffered about seven hundred thousand casualties and incurred war expenditures amounting to yen ~~nine~~ billion bringing in its wake poverty, dislocation of commerce and industry and social and political disorder. Japan he states had been forced to send twice as many troops to China as originally planned and Japanese casualties had exceeded thirty one per cent of her aggregate fighting forces.

General Chiang repeatedly declared that the Chinese nation had never been subdued and alluded to the fall of the Sung and Ming dynasties as the collapse of one family and one dynasty. Referring to the present day national spirit General Chiang said "the National Government of today is a revolutionary government and a government of the people. This revolutionary government will fight for the welfare of the nation because that is

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EDA - 2 - #53, January 26, 3 p.m. from Chungking  
Section two

the sole reason for its existence. WE realize our duty and will not be intimidated. Our duty is to consummate the revolution and carry out the three people's principles in defiance of armed aggression. The resistance WE have been putting up in a closely knitted and interrelated action sprung from the will, spirit and strength of the Government and the people".

Referring to the economic situation General Chiang declared that hostilities had not seriously impaired the financial structure of China because of China's predominantly agricultural character. Saying there is no want because of good crops last year and the frugal nature of the people, he went on "I am deeply convinced that wartime economy will not be much of a question".

In comments on Japanese diplomacy General Chiang said Japs had failed in attempting to appease Russia, in endeavoring to woo the friendship of the United States and in trying to avert the forming of a common front among the United States, Great Britain and France. In referring to world unrest, he alleged that the main subterranean trend was toward the maintenance of world faith and peace especially among the European and American democracies who were coping with the crisis with the greatest prudence.

Repeated to Peiping. Peiping mail Tokyo.

(END OF MESSAGE).

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

*Copy in paraphrase  
Sent to Treasury  
as confidential*

5373

TELEGRAM RECEIVED

JR

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

Tokyo via N. R.

Dated January 30, 1939

Rec'd 11:25 a.m.

Secretary of State,  
Washington.

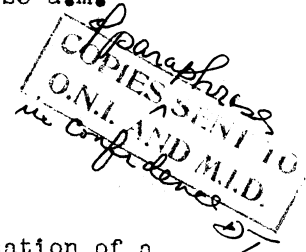
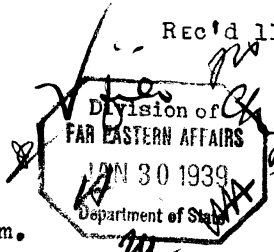
51, January 30, 9 p.m.

(GRAY) One. The following is a condensation of a

report which in various versions appeared simultaneously in the papers this morning:

"Pressure against and restriction of Japan's "new order in East Asia" on the part of England and the United States have become more and more apparent. In one section of the United States particularly there has been recently an intensification of the tendency toward anti-Japanese feeling. The former Secretary of State, Mr. Stimson, is the chairman of a committee organized for non-participation by the United States in Japanese aggression. The Committee is making vigorous efforts to have Congress pass a bill prohibiting the export of oil, iron, et cetera, to Japan. Further, with the Communist Party as the central figure, anti-Japanese propaganda is being spread among the people. These and other movements are to be very carefully watched for their effect on the attitude of the United States towards

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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- #51, January 30, 9 p.m., from Tokyo via N. R.

towards Japan. It is said that England is engaged in the study of concrete plans for economic sanctions against Japan with the cooperation of America. France also is to enter this arrangement. These and other factors make it necessary to pay very careful attention to the movements of the democratic countries as they are directed against Japan.

Prime Minister Hiranuma and Minister for Foreign Affairs Arita have frequently since the opening of the Diet set forth their opinions concerning the policies of the Japanese Government with regard to the above situation. They have stated that the Japanese Government has made complete plans for successfully coping with economic sanctions of any sort which may be undertaken and they have made clear their determination to proceed apace with the realization of Japan's aims. Further, the Imperial Government anticipating, in view of recent international conditions, that economic sanctions may soon be imposed on Japan, is engaged in the establishment of thorough going plans to meet every exigency.

It seems that at the five Minister meetings held on the 25th and 26th various important consultations particularly in regard to this point were held i.e. the Imperial Government on its part, even if economic sanctions

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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-3- #51, January 30, 9 p.m., from Tokyo via N. R.

of any sort by Great Britain and the United States should become a fact in the future, will not waver in the slightest degree in its determination and established policies and rejecting all interference will forge ahead rapidly in the establishment of a new East Asia".  
(END GRAY).

Two. There are persistent rumors that a conference before the Emperor was held a few days ago on an unknown subject.

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

Confidential

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P A R A P H R A S E

A telegram (No. 51) of January 30, 1939, from the American Embassy at Tokyo reads substantially as follows:

A few days ago a conference on a unknown subject was held before the Emperor according to persistent rumors.

The following is a condensation of a report which in various versions appeared simultaneously in the morning papers of January 30:

"Pressure against and restriction of Japan's "new order in East Asia" on the part of England and the United States have become more and more apparent. In one section of the United States particularly there has been recently an intensification of the tendency toward anti-Japanese feeling. The former Secretary of State, Mr. Stimson, is the chairman of a committee organized for non-participation by the United States in Japanese aggression. The Committee is making vigorous efforts to have Congress pass a bill prohibiting the export of oil, iron, et cetera, to Japan. Further, with the Communist Party as the central figure, anti-Japanese propaganda is being spread among the people. These and other movements are to be very carefully watched for their effect on the attitude of the United States towards Japan. It is said that England is engaged in the study of concrete plans for economic sanctions against Japan with the cooperation of America. France also is to enter this arrangement. These and other factors

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It seems that at the five Minister meetings held on the 25th and 26th various important consultations particularly in regard to this point were held i.e. the Imperial Government on its part, even if economic sanctions of any sort by Great Britain and the United States should become a fact in the future, will not waver in the slightest degree in its determination and established policies and rejecting all interference will forge ahead rapidly in the establishment of a new East Asia".

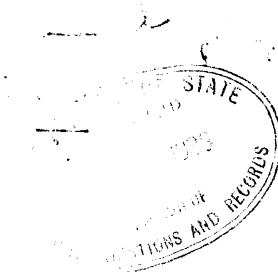
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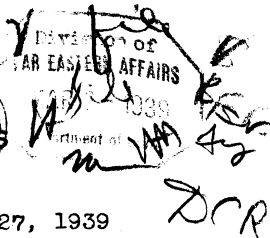
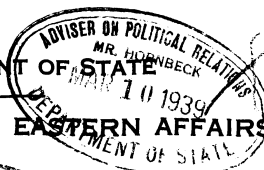
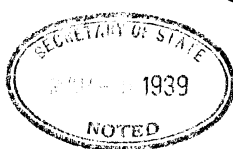
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 By Milton D. Gustafson NARS, Date 12-18-75



DEPARTMENT OF STATE  
 DIVISION OF FAR EASTERN AFFAIRS



January 27, 1939

Below are offered as of possible suggestive value  
 some observations in regard to problems arising from the  
 Sino-Japanese hostilities in the Far East:

Section I. Japan has occupied, through the suc-  
 cessful exertion of military force, all of the main in-  
 dustrial and trading centers of China, has assumed con-  
 trol of all of the Chinese Government's revenue-producing  
 agencies in the occupied areas, and is setting up machin-  
 ery for the exploitation of those areas. The Japanese  
 authorities, or Japanese nationals with the approval of  
 the Japanese authorities, are assuming control over  
 Chinese-owned railways, telegraph, cable, and radio  
 communication facilities, coal and iron mines, steam-  
 ships, shipping terminal properties, factories, and  
 other goods, regardless of whether such goods are owned  
 by private Chinese persons or concerns or by the Chinese  
 Government. When the Japanese forces complete the pro-  
 cess of clearing the area between Changsha and Canton  
 of Chinese troops they will have control over the source

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of a large proportion of the world's supply of antimony and tungsten. The Japanese are acquiring not only political domination of the occupied areas but also the main productive machinery of those areas which are the most highly developed regions of China.

With respect to what Japan intends to do in China, the following statements in the Japanese Foreign Office's reply to the Department's note of October 6 are of interest:

"Japan at present is devoting her energy to the establishment of a new order based on genuine international justice throughout East Asia, the attainment of which end is not only an indispensable condition of the very existence of Japan, but also constitutes the very foundation of the enduring peace and stability of East Asia.

"It is the firm conviction of the Japanese Government that in the face of the new situation, fast developing in East Asia, any attempt to apply to the conditions of today and tomorrow inapplicable ideas and principles of the past neither would contribute toward the establishment of a real peace in East Asia nor solve the immediate issues.

"However, as long as these points are understood, Japan has not the slightest inclination to oppose the participation of the United States and other powers in the great work of reconstructing East Asia along all lines of industry and trade; and I believe that the new régimes now being formed in China are prepared to welcome such foreign participation."

Some light as to the meaning of this official statement is afforded by a telegram from Tokyo, November 3, 1938, to the New York Times, in which it was said:

"Japan

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"Japan announced today that what she sought in East Asia was the complete coordination -- political, economic, cultural and otherwise -- of China and Manchukuo in the Japanese scheme of things. At the same time she served notice that she expected other powers to 'adapt their attitude to the new conditions prevailing in East Asia'."

Much more specific were the Japanese Foreign Minister's statements on November 19, 1938, to the Counselor of the American Embassy at Tokyo: He pointed out that the United States and the British Empire are self-contained economic as well as political entities; that they have great wealth; that they possess most of the necessary raw materials; that each contains within itself a large domestic market; and that each country can, therefore, regard with composure any attempt at coercion by other powers through economic or for that matter military sanctions. He went on to say that it is now the intention of Japan to place itself in a position of security against the possible application of sanctions either by the League of Nations or by nations inside and outside the League.

The main features of Japan's action in Manchuria and China as immediately affecting American interests are summed up in the note presented on October 6, 1938, by the American Ambassador at Tokyo to the Japanese Ministry for Foreign Affairs.

Developments

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

I agree with Mr. Adams  
Statement of Japanese aims in  
the Far East.

E

↓  
(Johnson)

Concur.

SKH

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Developments during the past few years in Manchuria and in China south of the Great Wall remove any reason for thinking that Mr. Arita's definition of Japan's aims might be an overstatement. It is now obvious that Japan intends to preempt for itself East Asia; that any participation by western powers or their nationals in developments there must in effect, if Japan's plans prevail, be in aid of and subordinate to Japan's plans; and that any participation in the trade of that area by occidental countries must be subordinate to Japan's requirements.

Section II. The next question that logically arises, from the viewpoint of American policy and action, is: What do these accomplishments and intentions mean to us? It is submitted that the following is a fair outline of what the successful execution of Japan's intentions in China will cost the United States:

(1) Loss, in part at least, of investments in China totaling about U.S. \$200,000,000.

(2) Loss of the right to trade with 400,000,000 people on an equal footing with competitors.

(3) Loss of right to engage in freely managed financial enterprise in China.

(4) Sacrifice of nearly a hundred years of cultural effort in China.

(5) Impetus which will be given to international lawlessness by one more example of successful aggression.

(6)

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(6) Acquisition by a totalitarian government in the Pacific area of new resources with which, if past experience is any guide, to engage in further aggression.

Japan can now be fairly classed as a totalitarian state, and there would seem to be merit in the idea that items nos. 5 and 6 are the most important of all the costs enumerated above. Totalitarian states are aggressive and, while there may not yet be sufficient basis for the statement that aggression is necessary to their continued success, they appear to feed and thrive upon successful aggression to an extent that makes reasonable the question whether democratic governments and totalitarian governments can in the long run exist side by side in the same world. Is it not possible that, if totalitarian governments continue to exist and to encroach, they will force democratic societies to grant to their governments dictatorial powers so that their governments may be in position to counter the ability of totalitarian states to make quick decisions and to take quick action in external affairs? And in connection with Japan's expression of totalitarianism there should be borne in mind the consideration that the Pacific area, as distinguished from Europe, is an area where we have assumed responsibilities and have traditionally played a leading role. While we have a traditional inhibition in regard to participation in European affairs -- many of our forefathers came to America in

order

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I agree with this, he cannot  
afford to wait too long. There is  
but China in its conflict with  
Japan but time is with the  
Totalitarian States in their  
relations with the Democracies.

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order to have done with Europe and we fought two wars to the same end -- we have no such inhibition in regard to Asia. An official expedition of the United States contributed materially to the opening of Japan to general intercourse with the Occident.

Section III. If the political domination of East Asia by Japan merely meant the loss of equality of American financial and commercial opportunity in that area and the passing of the Philippines into Japanese hands, it might well be argued that a major effort on the part of the United States to prevent that development would not be warranted. Is there not, however, something more involved? Is not Japan giving expression to what, coupled with German and Italian action, amounts to international gangsterism that must sometime be checked unless all "order under law" is to be destroyed?

Up to now there has seemed the possibility that Japan would bog down in ~~its~~ attempt and that ~~its~~ lack of financial resources would result at least in a partial failure of ~~its~~ plans. There is some indication that Japan has encouraged this thought as a means of preventing or postponing action against it (see pages 1, 2, and 3 of Mr. Vincent's memorandum of his conversation with Mr. Frederick Moore who is listed with the Department as a paid Japanese propagandist). The plain fact

Enclosure  
no. 1

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is that Japan is seizing the existing means of production in China as its military conquest proceeds. And it will have at its command an unlimited supply of cheap labor. The writer is beginning to incline to the opinion that to continue to expect Japan to bog down for want of financial resources would merely be wishful thinking.

If we accept the thesis that Japan must be dealt with ultimately, is there any reason to believe that the task would be easier after Japan has consolidated and organized its acquisition of China's productive machinery and resources than the task would be now? There is still a Chinese army in the field opposing Japan. Great Britain, so far as we know or have reason to believe, is still free from any commitment to Japan which would preclude her from giving assistance under our leadership. That situation will not continue indefinitely. Already, for some time past, the question of holding Great Britain in line with our own policy has been a matter of concern to the United States. If we wait much longer before taking action is there not a possibility that we will have to take such action alone against a stronger adversary than we would have to face now with substantial aid from two sources -- Britain and China?

Looking

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Looking back from the present time it can be seen that resolute action by the United States and Great Britain in 1931 (at the time of Japan's conquest of Manchuria) would probably have stopped Japanese aggression with comparatively little danger of our involvement in war with Japan. Again looking back upon the beginning of the present Japanese military adventure it can be seen that if the United States and Great Britain had acted promptly and resolutely in cutting off supplies that Japan needed and in rendering financial assistance to China there would possibly be a vastly different military situation in China now, although the effort that would have been necessary on our part would probably have been greater than would have been needed in 1931.

Is it not possible that failure to take action now may in years to come be looked back upon as another lost opportunity -- when the Chinese army has been further weakened or destroyed and when Great Britain has been driven by pressure in Europe to make with Japan the best bargain possible under the circumstances?

Looking at the matter from another angle it may be said that, from a political viewpoint, the world consists of a self-governing community whose members are nations.

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nations. Some of the community members are actively concerned with attempts to check a pronounced trend toward lawlessness amongst certain other members who are increasingly prone to rob those of their neighbors not strong enough to defend themselves. Prominent amongst such lawless members are Germany, Italy, and Japan.

Just as would be the case in a self-governing community of individuals, this habit of lawlessness will grow if it is not checked. In this connection the following excerpt from a speech made by Mr. Hull before the National Press Club of Washington on March 17, 1938, is of interest:

"To waive rights and to permit interests to lapse in the face of their actual or threatened violation -- and thereby abandon obligations -- in any important area of the world, can serve only to encourage disregard of law and of the basic principles of international order, and thus contribute to the inevitable spread of international anarchy throughout the world."

Amongst the stronger members of the world community which are interested in the maintenance of orderly processes and community order are the United States, Great Britain, and France. Possibly Russia might at present be grouped with the other three.

There is, however, lamentably little cooperation among these powerful members of the community. For example, Great Britain and France, who are working together to some extent, are restrained from effective  
action

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action to check their lawless neighbors in Europe because if they became involved in Europe Japan would immediately take advantage of them in the Far East. They are restrained from attempting to stop Japanese depredations in the Far East because if they became involved in an attempt to stop Japan their lawless neighbors in Europe would take quick advantage of them there.

The United States is the only strong law-abiding member of the community not restrained by threat of an immediate checkmate from another quarter, from attempting to maintain order in the Far East which is a neighborhood where for a long time the United States has played a leading role. Up to the present the United States has not become sufficiently aroused to take effective action toward the maintenance of order in the Far East. In some American quarters there has been a vague, wishful hope that some other member of the community might do the job; in others there has been the fear that the United States might pull British "chestnuts out of the fire"; in still others there has been the piece-meal thought that Korea wasn't worth an effort, that Manchuria wasn't worth an effort, that in this particular instance what Japan is seizing isn't worth an effort, and that perhaps Japan will be satisfied with this particular seizure and won't later reach for the Philippines, for Hawaii, and for the control of the Pacific.

The

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The United States is in a key position. Her comparative inactivity in the maintenance of community order paralyzes British and French action both in Europe and the Far East. Thus, a strong argument in favor of effective action by the United States in the Far East is that the firm establishment of law and order there would furnish a vigorous impetus toward the establishment of law and order in Europe. A concrete illustration of what is meant by this is afforded by the circumstances attending the recent seizure by Germany of a good part of the territory of Czechoslovakia. Great Britain and France (as embarrassed as they were by danger in the Far East) carried their objection to Germany's lawlessness to the point where, at least to the general public, war seemed almost inevitable. There is reason to believe that if the United States had been in a position to deal effectively with Japan in the Far East during the past year, and had been so doing, Great Britain and France would have been able to restrain Germany. Upon this question of participation by the United States in world community affairs, the following excerpt from Mr. Hull's speech at Nashville on June 3, 1938, is very much to the point:

"Deliberate

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"Deliberate renunciation by us of any participation in international affairs would make for an easier triumph on this planet of lawlessness, brute force, and war. In a world growing internationally more and more disordered and chaotic, we would be compelled to increase our armed defenses on a scale that would impose a truly crushing burden on our people. And even so, we would have to live in constant danger that the rising wave of international anarchy would sooner or later reach and batter down our own walls and engulf us as well as the rest of mankind.

"In this respect a nation is not different from an individual. When a citizen declines to take an interest in the affairs of his community and refuses to cooperate in promotion and support of law and order, he helps to open the way for the forces of lawlessness to take control. Let us not forget that the present spread of lawlessness in international relations is a direct consequence of the recent drift toward national isolation."

Section IV. It is submitted that, if the United States should decide to act in the present emergency in the Far East, we should definitely choose between a course calculated to stop Japan and one designed merely to decrease the measure of Japan's success in the present China venture. Unless we are prepared to make our action decisive, we would be well advised to limit our measures to steps that would not provoke thoroughgoing retaliation by Japan. Some Americans appear to hold the opinion that unless the United States is prepared to exert sufficient effort and pressure to cause a direct resolve on the part of Japan to abandon its effort in China, the United States should take no action (as distinguished from representations) for the protection of  
 American

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

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American interests and the considerations upon which we place value. This attitude ignores the extensive field of action lying between a do-nothing policy and action having in mind possible resort to armed force. No reasonable person would contend, for example, that partial and incomplete restrictions upon Japan's foreign trade would cause Japan immediately to modify its aims or to withdraw Japanese troops from China, but this does not mean that the application of such restrictions would not be worth while. The measure of the success of Japan's venture will depend upon the extent to which Japan can, through employment of the military and economic forces at its command, overcome the military and economic forces opposed to that venture. If the United States takes measures which reduce Japan's exports by say \$10,000,000, Japan's task becomes more difficult by reason of that reduction and Japan may fall short of its objectives correspondingly. Anything which tends to exhaust Japan's resources may ultimately make possible adjustments that more nearly approach our desiderata than would otherwise be possible.

It is thought that a decision to stop Japan need not necessarily lead to actual clash of our armed forces with those of Japan, particularly if the United States were prepared as a last resort to proceed to that

length.

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

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length. It would be important, though, for the Government before beginning to act to envisage the possibility of war. To do so would immeasurably strengthen our hand in our dealings with Japan. It is, of course, realized that as a matter of practical procedure such possibility could not be publicly announced in the beginning and could only be led up to when and as public opinion would lend support to such a course. It is the writer's opinion that American public opinion, if properly led and informed, would keep step with and support necessary measures. To say that our Government could not take action predicated upon an intelligent forecast of the development of public opinion would be to brand our form of government as one incapable of intelligent planning in advance of courses of action vital in foreign relations.

Once the decision is made to stop Japan, the problem is reduced to the matter of (a) defining our specific objectives in so doing and (b) ways and means.

With regard to (a) and (b), it is suggested that there might be created an interdepartmental committee consisting of high ranking, policy-forming officers of the State Department and officers of appropriate relative rank in the War, Navy, and other interested departments for the task of working out a detailed program of action.



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action. The problem should be worked out with the same meticulous attention to detail that is given by the War and Navy Departments in solving theoretical war problems.

Under the heading of (a) perhaps our main objective would be to check the thus far successful course of lawless aggression in the world and in particular to check the habit of lawless aggression on the part of Japan before that habit reaches the point of the employment of Japanese resources in aggression against other regions of the Pacific area. But under this heading the following points suggest themselves as immediate and specific objectives:

- (1) Freedom for American cultural enterprise in China.
- (2) Equality of financial and business opportunity for American citizens in China, as against all competitors, including Japanese.
- (3) Preservation of the integrity of Chinese Government revenue-collecting agencies.
- (4) Within the limits prescribed by the foregoing objectives, an attempt should be made to preserve Japan's dignity and self-respect as much as practicable.

Realization of objective no. 2 above would entail the abolition of all Japanese monopolies and Japanese "special companies" in China, abolition of attempts at linking Chinese and Japanese currencies, of attempts at Japanese exchange control in China, and of Japanese interference with the Chinese Maritime Customs and other Chinese revenue-collecting agencies.

With

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 Department of State letter, August 10, 1972  
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With regard to (b), the following points suggest themselves:

- (1) Immediate notice should be served upon Japan of cancellation of the American-Japanese Treaty of 1911.
- (2) Formal prohibition of the extension of any financial assistance to Japan or "Manchukuo".
- (3) Withdrawal of the American Ambassador to Japan.
- (4) Effort should be made to accomplish as completely and as quickly as possible a paralysis of Japan's foreign trade.
- (5) Effort to persuade Great Britain, France, and the Netherlands, together with Mexico, Central and South America, and Cuba, to adopt measures as nearly similar as practicable to those adopted by the United States.
- (6) Extension of further financial assistance to China.

It has been suggested that the steps mentioned in items 1, 2, 6, and possibly 3 might be taken without commitment as to further action. The reaction to such steps might assist in reaching a determination in regard to items 4 and 5.

In taking the measures suggested in items 4 and 5 it would be necessary to envisage, amongst other things, that there would possibly arise through Japanese retaliatory measures serious incidents involving Americans and American interests in the Far East. In this connection attention should be given to the position of the Philippines and to the question of withdrawing the small American military detachments at Shanghai, Peiping, and

Tientsin

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

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Tientsin as well as the river gunboats in central and south China. There should also be envisaged problems in the United States resulting from the cessation of Japanese imports. The American Government would undoubtedly be subjected to pressure by groups actuated by motives both of sentiment and business.

Nevertheless, it is believed that with resolute leadership American opinion would on the whole see the justice of and support the measures suggested in this memorandum.

VAA  
FE:Adams:HES

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

TELEGRAM RECEIVED

JR <sup>apo</sup>

FROM

PLAIN

COPIES SENT TO  
 ONI AND M.I.D.  
*DT*

Peiping via N. R.

January 30, 1939

Rec'd 3:20 p.m.

ACTION: OPNAV, Washington.

INFO: CINCLAF  
 AMEMBASSADOR (CHINA)

Division of  
 FAR EASTERN AFFAIRS  
 JAN 31 1939  
 Department of State

Secretary of State,  
 Washington.

793.94

0030. Marshall <sup>W</sup>Tupeifu will receive foreign  
 newspaper correspondents eleven hundred Tuesday, no  
 information on character of interview. 1135.

CSB

793.94/14654

FEB 1 1939

F/FG

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

## TELEGRAM RECEIVED

JR  
This telegram must be  
closely paraphrased be- FROM  
fore being communicated  
to anyone.

MARDET TIENTSIN

January 31, 1939

Rec'd 8:10 A.M.

ACTION: OPNAV

INFO: COMDR MARINE FORCES NORTH CHINA  
CINCAF  
FOURTH MARINES  
ALUSNA PEIPING



793.94

0030. From direction Tientsin week ending twenty-ninth  
about seven hundred Japanese troops, fifty officers,  
twenty trucks, passed through Chinwangtao and 200 wounded  
placed on hospital ships. 0900.

DDM

793.94/14655

FILED  
FEB 6 1939

F1FG

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

This telegram must be  
closely paraphrased be-  
fore being communicated  
to anyone.

FROM

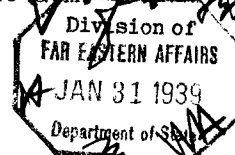
MARDET TIENTSIN

January 31, 1939

Rec'd 8:10 a.m.

ACTION: OPNAV

INFO: CINCAF



0030. Unable verify or confirm your 1330 of last

Wednesday. Consider improbable. Only troop movement  
established normal exchange units with possible slight  
excess going toward Manchukuo. Present estimate fifteen  
first line divisions Manchurian and second rate North  
China. 1030.

DDM

793.94/14656

FILED  
FEB 6 1939

F/FG

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

*Copy sent to  
 Treasury as  
 strictly confidential*

5376

TELEGRAM RECEIVED

JR

GRAY

FROM

Tokyo

Dated January 31, 1939

Rec'd 9:05 a.m.

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

Secretary of State,  
 Washington.

Division of  
 FAR EASTERN AFFAIRS  
 JAN 31 1939  
 Department of State

793.94

62, January 31, midnight.

At yesterday's meeting of the budget committee of the Lower House the Minister of War was asked to comment on the opinion expressed by a private member that Japan's plans for the development of China required that Japanese troops be stationed in China for a long period of time. Pertinent portions of the reply of the Minister are reported to have been as follows: "troops may be stationed abroad for various reasons, such as for purposes of national defense, to maintain order or for strategic military operations. I am not at liberty to discuss at length the period over which troops will be maintained, methods, extent, and other such details, but I believe that you may take it that in general troops will be stationed in China for a substantially long period. Accordingly, the army is giving consideration to plans to meet the maintenance of troops on a semi permanent basis (\*\*\*) since the issuance of the official statement of December 22,

a

793.94/14657

F/HG

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

5377

-2- #62, January 31, midnight, from Tokyo.

a rumor has been current that the army intends to withdraw the forces now in Central and South China. This is sheer propaganda. The army has no intention whatever of taking any such action."

By air mail to Shanghai for repetition to Chungking.

GREW

CSB



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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)

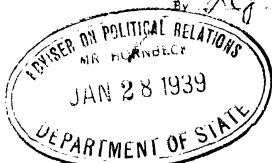
WAR-DEPT

PAH

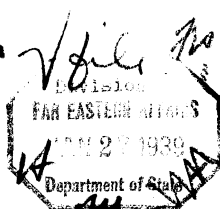
CSG 100, May 3, 1972

By AG

Date 3/19/73



4-8 Digest of Information  
Sino-Japanese Situation  
January 13-27, 1939



C-2  
TJB  
FE  
9 CR

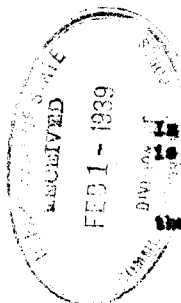
1. MILITARY SITUATION.

- a. No large scale operations have occurred during the period under consideration.
- b. The Japanese clearing operations in West Shansi have come to a halt after registering considerable advances, but without reaching the Yellow River throughout the zone of advance.
- c. The Japanese have launched pacification and punitive operations against what they state are 70,000 Chinese troops in Shantung and Hpeki to the north and east of the Tsin-Pu and Kiao-Tai Railways.
- d. Japanese pressure is apparent along the Hankow-Ichang highway.
- e. The Japanese have made a limited advance to the north of Canton.
- f. Japanese aviation has bombed the Tungkuang-Sian stretch of the Lunghai Railway intensively.
- g. Chinese pressure, estimated as light in intensity, continues against the Hangchow area.
- h. Chinese guerrilla operations continue without notable change in intensity.
- i. The Chinese are apprehensive of a renewal of the offensive by the Japanese on every front. Specifically, Japanese advances have been predicted as follows:

Pootow--Ninghsia  
Tungkuang--Sian  
Hankow--Ichang  
Tolan--Manshang  
Canton--Yingtak  
Canton--West River  
Kakhei--Nanning.

In effect this seems to mean that each Chinese territorial headquarters is alarmed in its own jurisdiction.

- j. It is now evident that the Japanese have heavily reinforced their Manchurian garrison with troops from China proper. Amount of the



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

reinforcement is estimated at from three to five divisions. Replacement units estimated at about three divisions have gone to China from Japan. The movement to Manchoukuo plus a reported concentration along the Ping-Pui Railway seems to point toward precautionary measures against Russia. This in turn tends to bear out less reliable reports of an increase in Russian personnel and materiel with the Chinese armies in the northwest.

E. MISCELLANEOUS.

a. On January 14, British Ambassador Craigie presented to the Japanese Government a note of protest against infringement of third-power rights in China. In substance the note closely paralleled the American note of December 31. A note of similar tenor was transmitted by the French Embassy in Tokyo on January 19. The British note was greeted by a strong and hostile Japanese press reaction; while that accorded to the French protest was light and frankly contemptuous in tone. By contrast, Japanese editorial comment on the American correspondence continued sparse and unprovocative.

b. The Chinese Government on January 15 announced discontinuance of that proportion of their foreign loan service which is secured by customs revenues from ports now in Japanese hands, amounting to approximately 85 per cent of the total sums involved. The capital value of the long term debt secured by the customs is estimated at Yuan 2,500,000,000. For some time past the Japanese have insisted on the impounding of the customs collections under their control and have refused to release the sums necessary for loan service although such a procedure was contemplated in an Anglo-Japanese customs agreement reached about a year ago. In the meantime the Chinese National Government has maintained the complete loan service out of its general revenues, a process which it is unable to continue. The artificiality of the whole situation is illuminated by an unofficial Japanese rejoinder, in which it is claimed that the loan-service funds have been impounded because the Chinese have refused to consent to the payment therefrom of installments on the Japanese portion of the Boxer indemnity. The action of the Chinese Government although clearly indicating a growing financial stringency has affected Chinese bond prices only slightly in world markets.

c. The State Council of Manchoukuo announced on January 16 the decision of that country to start negotiations with Japan, Germany and Italy for adherence to the anti-Comintern pact, in view of the "alliance with Japan and Manchoukuo's fundamental enmity toward Communism."

d. At the instance of the U. S. C. and with the consent of "Doehi Kai", an organization established for the sale of Japanese bonds in Hawaii, the District Court at Honolulu issued an injunction on January 20 forbidding the sales in question.

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

e. The Japanese Diet convened for its first session under the Hiratsuna premiership on January 21. Addresses by the Premier and Foreign Minister Arita revealed no new policies vis-a-vis China or other foreign countries. The atmosphere of the Diet was clearly chauvinistic and spirited demands were made for a stiff policy toward those powers which oppose Japan's Asiatic venture.

f. The Central Executive and Central Supervisory Committee of the Kuomintang have been in session at Chungking since January 21. No information is available as yet concerning the subjects of discussion.

g. On January 24 the postponed third session of the United Council of the Republic of China met at Peiping. It is understood that the Council approved the Hanyu peace terms of December 22, 1938, and endorsed Wang Ching-wei's defection from the National Government. Certain economic and fiscal recommendations were also made of record. It is also reported that the Council took action to request Wu Pei-fu to head an "anti-communist National Salvation Association." This is in line with other reports that Wu's reemergence is again a subject of serious consideration.

1 Enclosure - Situation Map.

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7694  
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. 478 Political.

AMERICAN CONSULATE

Geneva, Switzerland, January 19, 1939.



1939 JAN 31 PM 2 28

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

SUBJECT: Transmitting a Copy of Statement of  
Dr. Wellington Koo.

793.94/1465  
THE HONORABLE

THE SECRETARY OF STATE

WASHINGTON

SIR:

1/ With reference to my telegram No. 8, January 17,  
10 p.m., I have the honor to transmit herewith a copy  
of the statement made by Dr. V.K. Wellington Koo  
before the Council meeting of the League of Nations  
on January 17, 1939.

Respectfully yours,

*Howard Bucknell, Jr.*  
Howard Bucknell, Jr.  
American Consul.

✓ Enclosure:  
No. 1: Copy of Statement,  
as above.

WGC/ew

Original and five copies to Dept. of State.  
One copy to American Legation, Bern.

FEB 7 1939

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

AMERICAN CONSULAR SERVICE  
GENEVA, SWITZERLAND.

Enclosure No 1  
with No 478  
Jan. 19 1939

STATEMENT OF H.E. DR. V.K. WELLINGTON KOO,  
AT THE COUNCIL MEETING OF THE LEAGUE OF NATIONS  
ON JANUARY 17TH, 1939.

Eighteen months of China's determined resistance has brought the Japanese invasion to a halt on the banks of the Yangtze and near the mouth of the Pearl River. The evacuation of Canton and the Wuhan cities has been carried out in excellent order in accordance with a preconceived plan. Some fighting, however, is still continuing in the North, particularly in the bend of the Yellow River. The Chinese forces have been able to recapture a number of important cities and towns in the South-West part of Shansi Province.

As regards major military operations, there is indeed a lull at present, but this does not mean that hostilities are going to terminate in the near future. China is resolved to continue her resistance in defence of her political independence and territorial integrity. The spirit of the Chinese people remains undaunted. It is the firm conviction of the Chinese military command that if the Japanese armed forces leave the coastal region with its well developed means of transport and communication and penetrate into the mountainous region of Central and Western China, the advantages of their mechanised forces will diminish and inevitably give the Chinese troops full freedom of initiative and action. In the words of Generalissimo Chiang Kai-shek, China's main base in the war of resistance fundamentally does not lie in the coastal or river regions, but in the vast hinterland, especially in Western Provinces.

Meanwhile the activities of the Chinese regular troops and the intensification of guerrilla tactics continue to reap success

- 2 -

after success behind the Japanese lines in the territories nominally under Japanese occupation. Only a fortnight ago communications between Peiping and Tientsin were cut and fighting broke out between the Japanese troops and Chinese irregular forces. The city of Hanchow, 120 miles South of Shanghai, and heavily garrisoned by the Japanese, is threatened by the attacks of the Chinese guerilla troops. Of the nine Provinces invaded and occupied by the Japanese army, less than 7 1/2 per cent of the total number of administrative districts are effectively held by the Japanese, while in the other nearly 93 per cent of the districts Chinese administration and control continue to function.

The present pause in major military operations by the Japanese is only a lull. There are clear indications of the Japanese intending to push forward in order to cut the existing lines of China's supply which are essential for the continuance of China's resistance. To South China Japanese reinforcements are sent, with the evident object of frustrating the determination of the Chinese army to retake Canton.

On the other hand, Japanese air craft is continuing its infernal work of mass slaughter of civilian population in China. Only two days ago the present capital of China, Chungking, suffered the heaviest bombing since hostilities began, with more than 300 people killed. As an instance of Japanese ruthlessness, let me mention the raid on the city of Tieningsheng in Suiyuan Province, when seven Japanese war 'planes dropped bombs on a temple fair in progress at that moment, killing and wounding nearly 400 civilians. It seems that neither the rules of warfare nor the condemnation of public opinion throughout the world has been able to produce any restraining influence upon the Japanese.

- 3 -

The only effective measure to check this form of ruthless attack on civilian non-combatants, on innocent women and children, is an embargo on aeroplanes and gasoline against Japan.

Last September I told the Assembly of the League of Nations that there were 30 million refugees of war as a result of the Japanese invasion. The seriousness of the problem of succour and relief has not become less; it calls more urgently than ever for a concerted international effort to deal with it.

Sir Archibald Kerr, the British Ambassador to China, said in his latest appeal to the British China Relief Fund after making a trip to the Southern and Western Provinces:

"The journey that I am now taking in Central and Western China has shown me that the problems of providing for refugees remains as acute as ever. The Chinese Government and private citizens are doing all that is possible to alleviate the misery, but it is of such magnitude that the difficulty is without precedent."

One of the measures of relief contemplated by the Chinese Government is to provide work to put the able-bodied refugees to work. This desire, together with the needs of defence, has led the Government to adopt a reconstruction programme for the vast regions still under its control, especially in the South-West, for the development of natural resources and of the means of communication.

The success of this policy is strikingly illustrated in the recent completion of a motor road of about 1400 miles or 2250 kilometers in length from Chungking to Burma, which has been effected in a few months without the aid of modern machinery and entirely with Chinese labour and technical guidance, and which, in the words of the American Ambassador to China who has just travelled over it, is "one of the most remarkable feats in road-building history."

Here again international aid is needed, especially of a financial character, in order that the scope of this form of relief work could be greatly extended.

In short, the situation in the Far East, while major military operations are now at a standstill, is more grave than ever.

- 4 -

The aim of the present all-powerful military leaders in Japan is nothing short of the conquest of China, subjugation of Asia and, ultimately, domination of the world. People of the Occident living in the twentieth century may consider this statement as fantastic and imaginary. But those who know the fanaticism of the Japanese militarists calling themselves the sons of God charged with a divine mission to rule the world cannot fail to understand its full significance. Six years ago, at the time of the Japanese invasion of Manchuria, responsible statesmen in Europe complacently assumed that Japan would stop after occupying that vast territory belonging to China and, in the face of repeated warnings from the Chinese delegation, refused to believe that she would one day march her fighting hordes across the Great Wall and try to conquer the whole of China. The salient truth, however, is that the fundamental objective of Japanese national policy has never departed from the so-called Continental policy of expansion first formulated by Emperor Meiji in the second half of the nineteenth century and further elaborated by the Tanaka Memorial a decade ago.

Several times in the past eighteen months, always after her attainment of a major military objective, Japan proffered peace, with conditions drastic in character but sugar-coated in the hope of luring China into ready acceptance. They are designed not for the purpose of ending a war of aggression on terms honorable to both but rather to give Japan a pause in order to enable her to cash in so as to enjoy the fruits of her aggression and get ready for another step forward in her program of conquest and domination. This is particularly true of the latest offer, the so-called basis of peace outlined by Prince Konoye. The demand for political, economic and cultural co-operation appears natural to the unwary until its insidious character is realised by a study of the proposed applications. The



- 5 -

proclamation of a new order in Asia with the demand that China should join Japan and the so-called Manchukuo as a block means that Japan should be recognized as lord and master in East Asia and that China is henceforth to do her bidding as a vassal. For does not Japan ask in the same breath that Japanese troops should be stationed in designated places in China and that Inner Mongolia should be constituted a special anti-communist area?

Furthermore, these preposterous conditions, together with the additional demand that China should conclude an anti-Comintern agreement with Japan, really mean that China should accept Japanese dictation in her foreign policy and even act as a willing accomplice in her plot to make war on a friendly neighbour. In spite of Japanese propaganda, no sensible person can be hoodwinked into believing that China is faced with the danger of going communist. No such danger exists. China, like other countries in Europe and America, knows how to keep and actually keeps apart domestic from foreign policy, international co-operation from national ideology.

As to economic co-operation, it is a principle which China has always advocated and eagerly sought its application in her relations with other nations. But the Japanese conception of it means monopoly and preference, even against China and the Chinese. While China respects the open-door policy and maintains the equality of opportunity for all nations with whom she has treaty relations, Japan seeks to make of China a special preserve for the exclusive benefit of the Japanese in trade, industry, and the development of Chinese natural resources.

As for cultural co-operation, it is a fact that China has never refused it. Chinese art and literature, true to the fundamental conception of a genuine culture, transcend considerations of nation, race or creed. Chinese civilization is fundamentally universal in its spirit. It holds the view elucidated by Confucius that "Within the four seas all are brothers." For centuries Chinese children starting

- 6 -

their school have been taught that "the pen is mightier than the sword." This spirit of humanity, this love of peace, and this worship of the letters are characteristics of the Chinese culture. There is no fire-eating, sword brandishing, and swashbuckling in the lore of Chinese classics. And it has always been ready to co-operate with those who partake of the same spirit.

Japan herself has greatly benefited by the wealth and beauty of the Chinese civilization as evidenced in her art, literature and institutions of the older order. But what Japan now asks of China is not cultural co-operation in the true sense of the term but the object acceptance of Japanese domination in all domains of life - the moral, the intellectual, the artistic, and the beautiful. Militarist Japan refuses to observe the true spirit of Chinese culture because she is unable to appreciate it, and wishes to enslave the Chinese people under the pretext of cultural co-operation.

But the Chinese people are accustomed to the enjoyment of the freedom of thought and speech, and cherish the highest ideals of peace and democracy. How can they be expected to welcome the primitive culture of militarist Japan which worships might and believes in the arbitrament of force, which subjects thinking to regimentation, arrests and imprisons every month hundreds of individuals because of their so-called "dangerous thoughts"; which deliberately seeks to destroy all Chinese institutions of learning and education; which believes the Japanese race ordained by Providence to rule the world and the Chinese people destined to disappear or to be destroyed, and which therefore deliberately inundates China wherever her cohorts go in Chinese territory with all forms of drug and vice including opium, morphine, heroin, prostitution and gambling in order to debauch the Chinese people?

This is no mere assertion but a statement of fact repeatedly borne out by the impartial evidence of European and American residents and tourists in China. It is this brand of Japanese culture which

- 7 -

Japanese militarists with the aid of their sword have been attempting to impose upon the Chinese people. It is this form of Japanese culture which the Chinese people refuse to accept. For to accept such cultural co-operation means suicide for the Chinese nation.

It is not co-operation for mutual benefit which Japan is seeking of China. If it was, Japan would not have sent a million troops to get it, for she knows she always could have had it for the asking. It is the conquest of China which she desires and this fact explains her armed invasion of a peaceful China in friendly relations with her and China's determined resistance in order to defend her sovereignty and independence.

The nature of the Japanese policy and the menace which it means to the peace and security of other nations is further illustrated by the acts and statements of Japan's agents and authorities with reference to the rights and interests of third Powers in China. The claim to establish a new order in East Asia has already been referred to. The deliberate attacks on foreign trade and investments by currency manipulation, exchange control, monopolies and preferential treatment for Japanese merchants; the denial of port facilities; the censorship of commercial mail and telegrams of foreign non-Japanese merchants; the interdiction of foreign navigation upon the Yangtze River, one of the largest navigable by ocean liners; the compulsory evacuation of important commercial centers by foreign residents and business men and the prohibition to return; the wanton seizure of foreign properties regardless of their character, whether commercial, educational, religious or charitable,- these and other insidious measures have been enforced in flagrant violation of treaty obligations and the principles of international law and justice. The restrictions and prohibitions have formed the subject of repeated protests by various Governments, particularly of the United States, Great Britain and France. The time-honored open-door policy consecrated by treaty,

- 8 -

especially that of the Nine-Power Treaty of Washington of 1922, has been openly challenged.

In its latest protest to the Japanese Government, that of December 31, 1938, the American Government states in part:

"The people and Government of the United States could not assent to the establishment at the instance of and for the special purpose of any third country of a regime which would arbitrarily deprive them of long established rights, equal opportunity and the fair treatment which are legally and justly theirs, along with those of other nations...

"In the light of these facts and in reference especially to the purpose and character of the treaty provisions solemnly agreed upon for the very definite purposes indicated, the Government of the United States deprecates the fact that one of the parties to these agreements has chosen to embark -- as indicated both by the action of its agents and the official statements of its authorities -- upon a course directed toward the arbitrary creation by that power and by methods of its own selection, regardless of treaty pledges and the established rights of the other Powers concerned of a 'new order' in the Far East."

The British Government, on its part, addressed a forceful note to Tokio, which, after summarizing the pretensions of the Japanese Government, states:

"His Majesty's Government are at a loss to understand how Prince Konoye's assurance that Japan seeks no territory, and respects the sovereignty of China, can be reconciled with the declared intention of the Japanese Government to compel the Chinese people by force of arms to accept conditions involving the surrender of their political, economic and cultural life to Japanese control, the indefinite maintenance in China of considerable Japanese garrisons, and the virtual detachment from China of the territory of Inner Mongolia.

"For their part His Majesty's Government desire to make it clear that they are not prepared to accept or to recognise changes of the nature indicated which are brought about by force.

"They intend to adhere to the principles of the Nine Power Treaty and cannot agree to the unilateral modification of its terms. They would point out that until the outbreak of the present hostilities the beneficial effects which the treaty was expected to produce were steadily being realised.

"The Chinese people were maintaining and developing for themselves an effective and stable government, and the principle of equal opportunity for the commerce and industry of all nations was bringing prosperity to China and to her international trade, including that with Japan.

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"His Majesty's Government therefore cannot agree, as suggested in Japan, that the treaty is obsolete or that its provisions no longer meet the situation, except in so far as the situation has been altered by Japan in contravention of its terms."

The Japanese Government, on the pretext of defending its indefensible position, asks Europe and America to understand what it considers as the new situation created by her aggression and makes the veiled threat by saying that those who show "comprehension" of the changed situation will be exempt from the restrictions and prohibitions it has arbitrarily decreed. But people who realize the real objectives of Japanese policy know it only too well that by "comprehension" the Japanese really mean capitulation and complete abandonment of their legitimate rights and interests in China. Even those countries which are at present considered by the Japanese to show "comprehension" will one day find themselves pushed outdoors and left in the cold, no differently from others who have had the foresight to lift their voice in protest. The experience of foreign nations in Korea and Manchuria in recent years should be sufficient warning to those who now feel themselves spell-bound by the charms of Japanese euphemisms but who will equally and inevitably become victims of Japanese manoeuvre. In this connection, it is to be pointed out, however, that past experience has clearly shown that it would be impossible to safeguard legitimate Western rights and interests in China unless the Chinese people remain masters of their own destiny. The Chinese door could not be kept open, if the Chinese people were not allowed to exercise their fullest and most unembarrassed control in their own house. In other words, respect for China's sovereignty and maintenance of the Open Door are the twin pillars of the Nine-Power Treaty signed at Washington. It is undoubtedly in this sense that the American note referred to above re-affirms the fact that this treaty is "an arrangement for safeguarding, for the benefit of all, the correlated principles on the one hand of national integrity and on the other hand of equality of economic opportunity."

- 10 -

The time has come, and in fact, is long overdue, for the League of Nations to take effective action in order to restrain Japanese aggression. There are at stake the general interests of international peace and security, the achievement of which is one of the main purposes of the League consecrated by the Covenant. Until the understandings of international law as the actual law of conduct among Governments are firmly established and justice and a scrupulous respect for all treaty obligations in the dealings of nations are effectively maintained, there can be no assurance of general tranquility, order and progress in the world.

Those countries which have important territorial possessions and commercial and economic interests in the Far East have an added obligation of defending them. Eighteen months of deliberate attacks by Japan upon their rights and interests in China along with the extension of the Japanese invasion have made it perfectly clear as to what is in store for them in future. Unless the interested Powers are prepared, - and it does not seem that they are - to abandon their treaty rights and established interests in China and abdicate their rightful position in East Asia and the Pacific, no time is to be lost by them to take concerted or parallel action to check the spread of the Japanese aggression. They have everything to gain by adopting a determined policy of action, to be promptly carried out.

The pre-eminent leader of that great Republic across the Atlantic Ocean, President Roosevelt, has spoken with statesmanlike courage and farsightedness against international aggression and has proffered the co-operation of the American people in support of the cause of democracy and peace. Permit me to quote a few sentences from his address before Congress of January 4, 1939:

"We as one of the Republics reiterate our readiness to help the cause of world peace. We stand by our historic offer to take counsel with all other nations of the world to the end that aggression among them may be terminated, the race in armaments cease, and commerce be renewed.

- 11 -

"But the world has grown so small and the weapons of attack so swift that no nation can be safe in its will to peace so long as any other single powerful nation refuses to settle its grievances at the council table... We have learned that the God-fearing democracies of the world who observe the sanctity of treaties and good faith in dealings with other nations cannot safely be indifferent to international lawlessness anywhere.

"They cannot for ever let pass without effective protest acts of aggression against sister nations, acts which automatically undermine all of us. Obviously they must proceed along practical and peaceful lines. But the mere fact that we rightly decline to intervene with arms does not mean that we must act as if there were no aggression at all. Words may be futile, but war is not the only means of commanding a decent respect for the opinions of mankind."

Is the Council, with its proscribed duties under the Covenant to promote peace and in the presence of the raging aggression in the Far East, not to take special notice of this most important declaration from the head of one of the greatest peace-loving nations in the world, and take appropriate action on its part to check the aggression? Will the Member States remain indifferent to their respective obligations of membership of the League and be unwilling to co-operate in the adoption of effective measures for the purpose? The world in its present chaotic condition needs all the forces of peace to work together and pursue a positive, active policy in common defence against disorder and aggression.

The League of Nations, founded for the guiding purpose of achieving international peace and security, is an established instrument for the organisation of peace. It is the embodiment of the fundamentally sound principle of collective security. With all its failures in the past, it is still, in the opinion of the Chinese Government, capable of serving the cause of peace, if the Member States, especially the most responsible ones, are willing and ready to extend full support to its efforts.

The real antidotes to war are not necessarily to be found in war itself. As President Roosevelt has said, there are measures short of war which are capable of exerting pressure upon the aggressor.

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Financial and economic measures of retaliation, for example, are peculiarly suitable for the purpose. They may be silent, slow and invisible, but they are sure in their effect to exert a restraining influence upon the madness of conquest and the feverish preparations for renewed aggression. They are sure measures for these purposes, because they work to reduce with cumulative effect the means and resources upon which the elements of violence and disorder draw for their strength. Trade and finance which produce money and wealth are sinews of war for conquest no less than for defence.

One of these measures is a boycott of the goods of the aggressor nation. In the present case a prohibition direct or indirect to import Japanese goods will strike at the basis of Japanese economy in a short time. 80 per cent of the silk production in Japan is marketed in one country, while 45 per cent of her textile fabrics is normally sold in only three or four countries. Deprivation of this source of revenue to Japan will soon make her unable to purchase the necessary raw materials for her war industries, which she has been developing with ever increasing intensity, in order to carry on the war of aggression against China. Such a boycott has, in fact, been started voluntarily by the people in a number of countries. Therefore, it would not be difficult for the Governments to enforce it.

Another measure equally important is an embargo on supplies to Japan, particularly of the raw materials necessary for Japanese war industries. Certain vested interests may raise objections, but the raw materials which could be usefully prohibited are few in number and will call for only moderate sacrifices on the part of a few countries. In the defence of the great principles of peace and security of nations against violence and aggression, surely no one would claim that such contribution is out of proportion to the benefits to be gained.

In the case of aeroplanes and petroleum it is particularly essential that an embargo upon them should be recommended by the



- 13 -

Council. Such a measure would be able, along with other measures, not only to hasten the termination of the aggression now raging, but also if not to prevent, at least to help reduce the cruel and ruthless bombing by Japanese aircraft of the civilian population in China.

So, in the interests of humanity, as well as for the cause of peace, a prohibition to supply these articles of indiscriminate slaughter should be recommended to the Governments of the countries which produce oil and manufacture aeroplanes.

The Chinese Government desires also that the Council invite the Member States to carry out the terms of the resolutions adopted by the Assembly and the Council of the League, particularly that of the Assembly of October 6, 1937, providing for the ~~grant~~ of aid to China and for abstention from taking any action which may render China's resistance more difficult. To be more specific, the Chinese Government desires that the Council recommend that the Member States should extend financial and economic assistance to China, among other purposes, for the development and reconstruction of China's South-Western provinces and for the relief of the civilian refugees.

An assurance for facilities of transit and transport for Chinese war material is also necessary to the continuance of effective resistance to Japanese aggression. In the past eighteen months, the Chinese Government has encountered untold difficulties in arranging for such transport and transit, and the cause of resistance has suffered no little from these difficulties. <sup>point</sup> The/is to be stressed that China is entitled to such facilities not only by virtue of the resolutions referred to, but also by the terms of the Covenant and treaties to which she is a party.

In order that the measures taken by the Governments of States, whether Members or non-Members of the League, shall produce the maximum effect, whether they be of assistance to China or of **pressure** against Japan, the Chinese Government asks that the Council

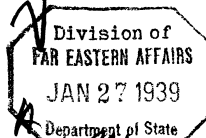
- 14 -

take steps to institute a Committee of Co-ordination. If a general Committee is considered unfeasible for the present, then the Chinese Government will welcome a limited Committee of Co-ordination to be composed of the representatives of the Governments particularly interested in the Far East.

The foregoing concrete measures constitute ~~the~~ desiderata of the Chinese Government which earnestly requests the Council to adopt them. China is not asking the Member States to undertake impossible tasks in discharge of their obligations under the Covenant. She has proposed these modest measures which, in her opinion, are well within the ability of the Member States, particularly those directly concerned in the Far East, to carry out.

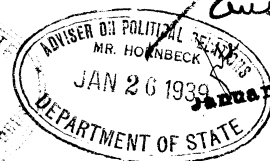
In view of the observations which I have made in the first part of my statement, it is not necessary to point out again that whatever action is taken to support the cause of China's resistance cannot be considered as for China's exclusive advantage. It will also benefit the general cause of upholding <sup>the principles of</sup> international law and order. More than that, rights and interests of other countries directly concerned in the Far East will gain security by this legitimate defence. For the general body of membership of the League, the success of the Chinese cause will mean the triumph of the cause of peace. International aggression has almost become an epidemic, and therefore the support of the League for China and whatever aid and assistance are rendered by other Member States to her in discharge of their obligations under the Covenant will have a salutary effect throughout the world.

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



Greenville S. C., Jan. 25th. 1939.

Hon. Stanley K. Hornbeck,  
Chief, Bureau Far Eastern Affairs,  
Washington D. C.



Dear Mr. Hornbeck,

I am enclosing herewith copy of a letter I have written to Senator Key Pitman, which will be self explanatory. It would please me greatly if you could find yourself approving of my wish to see and talk with Senator Pitman.

I realize that I am in what looks like a hopeless minority in this case, but I do not like to give up without trying every possible means of bringing to the attention of people who can do something, the aspects of the Sino-Japanese conflict which apparently have not received consideration.

I have so far found just one man who seems to see most of the relations of the case as I do. That is Mr. J.O.P. Bland. He realizes too that he is, as he puts it, "preaching in the wilderness", but still he persists. He points out one of the items which have been urging, that the right advice to China in the matter would probably have avoided the whole debacle.

Well, I am a very simple fellow, and the cost of having me come to Washington would be comparatively small. I have no ulterior motives to serve, wishing only to have the opportunity of presenting the whole sequence of development which produced the present situation. I am profoundly convinced that our Government is making a grave mistake. Here again Mr. Bland agrees. He points out how the Chinese staged a supreme effort of propaganda to create a state of mind in America, and adds that they quite

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

succeeded in their purpose. Whether I can do anything to break that strangle hold remains to be seen. At all events, the fact that there is one man who has seen practically the whole course of events which developed the situation, and is firm in his belief that an injustice is being done to a nation on at least technical friendly terms with us, seems to make it worth while finding out why he holds such a belief.

Committing the matter to your hands,

Yours respectfully,

*T. J. League*

From

T. J. League,  
114 Buist Ave.,  
Greenville S. C.

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

Greenville S. C., Jan. 24th. 1939.

Hon. Le y Pitman,  
Chairman Com. of Foreign Relations,  
U. S. Senate, Washinton D. C.

Dear Senator Pitman, ,

I am again taking the liberty of addressing you on the matter of our relations to the Far Eastern situation in the hope of being able to suggest some things which may be of value in considering what course is best to pursue. I have had rather unusual opportunities of observing the course of developments which produced the present situation, and I feel that there are important angles and considerations of the whole case which I have not had adequate attention.

There are two charges in the main against Japan. First that she has violated the integrity of Chinese territory, thus infringing the Kellogg Pact and the Pact of Paris. Second, that she has violated the Nine Power Treaty, guaranteeing the "Open Door in China". My observation of events, which extends from 1889 to the present, leads me to the opinion that there is evidence that Japan has not violated either the one or the other. It is some of this evidence which I wish to call to your attention.

Some days ago I had occasion to prepare a short historical statement for our local news-paper, and I am enclosing that as part of the evidence. You will see that the relations of Western powers with what is called China, were seriously affected by the misconception that before 1912, <sup>that</sup> they were dealing with a "Chinese Empire". This misconception has thrown out of focus the whole problem of the Far East, and set our conceptions facing in the wrong direction.

Up to 1912, China was a dependency, and neither a nation nor an empire. In all the history of China, she never held any possessions north of the great wall. When the Manchu Dynasty which had ruled China from 1644 to 1912 "as conquerors", abdicated the rule of the territory called China, that act gave no claim to the possession of Manchuria. When Japan in 1931 restored the legitimate heir of the Manchu Dynasty to the rule of the land of his fathers, no infringement of Chinese territory was committed, and consequently no violation of <sup>e</sup>ither the Kellogg Pact, or the Pact of Paris. The hiatus between 1912 and 1931, during which time Manchuria existed under an independent control, offers no ~~suf~~ sufficient evidence of any development which can be urged as sustaining the Chinese claim.

By 1931, it had become clearly manifest that Manchuria must be stabilized, not only for the protection of legitimate Japanese interests and developments, but to prevent a further serious conflict with Russia. Japan took the entirely logical and legitimate course of restoring Manchu rule as above stated. Our State department, confused by Chinese claims, and laboring under the misconception ~~that~~ prior to the Manchu abdication, we had been dealing with a Chinese Empire, refused to recognize an act which should have claimed their full approval. By refusing, our Government encouraged the Chinese in their bogus claim to Manchuria, and abetted them in their unceasing anti-Japanese propaganda, and pin pricking boycotts, which had been in evidence since Japan had succeeded in gaining recognition as a "world power", and so became a part of the Western bloc of nations holding China in the vassalage of extraterritorial status so hateful to the Chinese.

Our news-papers, unrebuked by our Government have followed

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the lead of Chinese propaganda by sneering references to "Puppet Kingdom". I shall not enlarge on that now, but shall hope to have some future opportunity of following this idea up.

If you have now followed me so far, and have also read the clipping enclosed, you will begin to see why I say that Japan has not infringed the territorial integrity of China. That idea being assumed we may say, though I hope to convince you that it is true, we are prepared now to go on to examine the Nine Power Treaty in its relation to Japanese action, with the presumption in its favor that this latter treaty is still intact, so far as the Japanese are concerned. It may however appear that others are not so guiltless.

Chinese propagandists have persuaded our American newspapers that Chinese anti-Japanese boycotts began as a result of the Manchuria incident. This is a misleading error. The anti-Japanese boycott was in full swing at least twelve years before the Manchurian episode. At that time we were living in Tainanfu, the Capital of Shantung, and had experience from observation of the operations of that instrument. We saw processions of school boys marching out to the recreation grounds, as they expressed it - "to hate the Japanese." We saw Chinese mercantile establishments destroyed because they were suspected of stocking Japanese made goods. Those are two characteristic incidents, examples of the repeated acts, occurring in 1919, twelve years before the Manchurian episode.

Let's now note some contrasts. It is true that after the Manchurian episode, and the effect of Western, particularly American reaction, became apparent in the Chinese attitude, the boycotts and other anti-Japanese practices increased in intensity. So much so that the <sup>first</sup> clash in Shanghai, so excoriated in American news

papers, resulted. Before we go on now, let's take a littaa look back at some other happenings. In 1925, industrial strikes were made against British textile mills in Shanghai. In one of the demonstrations a Chinese watchman was killed. The student body of Shanghai took it up, and made demonstrations. They surrounded the international police barracks, and on orders of the british officer in charge, the crowd was fired into, and a number killed and wounded. Repercussions of this came from Canton, and there the British authorities killed some fifty odd and wounded more than a hundred. In 1926, some anti-foreign disturbances took place up the Yangtze River, and two british gun boats were sent to look after the matter. The town of Wanh sien was bombarded and the Chinese reported over two thousand people killed - men, women and children. Minimize that large <sup>number</sup> for the Chinese propensity to exaggerate, but there it is. In 1927, trouble again arose, Shanghai seemed to be threatened. The British ordered twenty thousand troops to Shanghai, in addition to the naval squadron on duty in that quarter. That blew over, but the reaction was there. In that same year, trouble arose at Nanking, and this time both British and American ships joined in the bombardment in which many Chinese were killed. Now suppose the Chinese had been in the humor, or had the determination to resist these various demonstrations in force, it would have been necessary either to back down, or have a war (declared or otherwise) on hand just as the Japanese have. Note the contrast. The Japanese had endured boycotts and other hostilities for at the least fifteen years before taking any overt action to counteract them. A Western power took immediate and drastic action for an infinitely smaller offence. The Japanese were excoriated without stint by American news-papers. The Western power was hardly if at all



mentioned. Why? Difference of race merely? Hardly.

After the first Shanghai incident, it looked as if some understanding might be arrived at, but the storm of execration hurled at Japan by the American press again abetted the Chinese in their anti-Japanese hostility, that of Europe for the most part joining in the anti-Japanese tirade. So matters went from bad to worse till the present conflict was precipitated. Now, who has violated the Nine Power Treaty? Note, that during all this time Japan has been making phenomenal progress in creating productions for world markets, and gaining much success in obtaining those markets. This has created in Western nations hardly less of jealousy of Japan than that exhibited by the Chinese, so instead of bringing to the attention of the Chinese, that according to the Nine Power treaty, they should not discriminate against any one nation, the Western Powers clearly show that they are rather pleased than otherwise at the course of events, and tacitly at least give approval of the Chinese attitude. Who is the violator? Not the Japanese certainly.

I can only touch on these matters in a letter, but I would like to offer a modest suggestion if you will pardon my apparent presumption. I could wish that instead of sending notes to Japan, insisting that Japan shall continue to confine China to the hated extraterritorial status, so that the "open door" may be maintained, a note might be sent to China suggesting that they come to an amicable understanding with Japan, on the basis of China being accepted on equal terms for negotiations with the separate nations for the adjustment of all outstanding affairs, and the resumption of friendly relations with all concerned. My confidence is that such a note would put almost an instant end to the conflict and lead a stable peace in the Far East.

I find myself wishing you might be sufficiently interested in what I have told and suggested, to be induced to make it possible for me to see you, and talk this matter through with you, and with any other who may be concerned with the matter. I have absolutely no axe to grind, I have never asked any favor of the Government and have no intention of doing so. I am profoundly convinced that my long association with matters in the Far East, with contact and observation over a period of fifty years consecutively, have given me an angle of consideration that merits attention.

I had a good deal of correspondence - that is, I wrote letters to the State Department and received polite acknowledgments from the same, some five years or more ago. I had the purpose then to try to influence to a recognition of Manchukuo. Finally in the Autumn of '34 I had occasion to pass through Washington, and I took advantage of Mr. Hornbeck's previous permission of an interview if I should be in Washington, and had a most pleasant conversation with him.

I think I shall send a copy of this letter to Mr. Hornbeck, with the hope that he may approve of my wish. I would come to Washington on my own, and risk the chance of seeing you, but the simple truth is I cannot now afford the expense.

Soliciting your sympathetic consideration,

Yours respectfully,

from

T. J. League,  
114 Buist Ave.,  
Greenville S.C.

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

January 30, 1939.

Dear Mr. League:

I have received your letter of January 25, 1939, enclosing a copy of your letter of January 24 to Senator Pittman in which you give expression to your views with regard to past and present developments in relations between and among China, Japan, and the western powers.

I appreciate your courtesy in sending to me a copy of your letter to Senator Pittman.

Yours sincerely,

*Sp. H.*  
 Stanley K. Hornbeck  
 Adviser on Political Relations

Mr. T. J. League,  
 114 Buist Avenue,  
 Greenville, South Carolina.

*✓*  
 JAN 30 1939 FM

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*W. H.*



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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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## TELEGRAM RECEIVED

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JR

FROM

GRAY

Tokyo

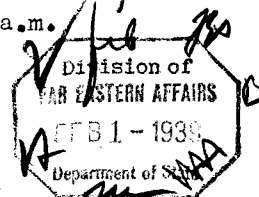
Dated February 1, 1939

Rec'd 6:40 a.m.

Secretary of State,  
Washington.

63, February 1, 5 p.m.

The following reply is reported to have been made yesterday by the Minister for Foreign Affairs at a meeting of the Budget Committee of the Lower House answering a question put by a member with regard to the holding in Tokyo of an international conference to discuss the situation in China: "The holding in Tokyo of an international conference similar to those which at one time after the great war so frequently occurred will require very careful thought. The question definitely arises whether just solutions to problems can be found by delegates of a number of countries with varying degrees of interests in the problems under discussion meeting in conference. That is, I think, made clear by the examples set by the conference held after the European war. So far as Japan is concerned, we believe that more fruitful results can be obtained by carrying on conversations individually with the other countries concerned than by attending



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

5379

-2- #63, February 1, 5 p.m., from Tokyo.

attending an international conference. My personal feeling is, therefore, one of considerable doubt whether a conference held in Tokyo for the purpose of clarifying the situation in the Far East would achieve that purpose". Cipher text by air mail to Peiping for repetition to Chungking.

GREW

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

## TELEGRAM RECEIVED

FROM

*of paraphrase*  
COPIES SENT TO  
*in conference DT*

PAP

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

TSINGTAO VIA N.R.

Dated February 1, 1939

Rec'd 7 a.m. February 2.

Secretary of State

Washington

*file*  
Division of  
FAR EASTERN AFFAIRS  
FEB 2 - 1939  
Department of State  
*me*

26. February 1, 5 p.m.

Reliable information received by the Consulate from an American resident in the interior to effect that the Japanese are definitely extending their control in section of Shantung north of Tsingtao-Tsinan Railway with Weihsien as center and that considerable progress has already been made; see Consulate's telegram dated January 18, 1 p.m., No. 13. It is reported that airfield has been made at Fangtze. Five thousand Chinese coolies are at work constructing a motor highway under the supervision of Japanese. This road will in all probability be extended to Tsingtao.

Two. As part of the drive on guerrillas, it is stated that as from Sunday last, any Chinese attempting to cross the railway in any direction without authorization is liable to be shot at sight.

Three.

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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- #26, February 1, 5 p.m. from Tsingtao via N. R.

Three. Transportation of a large number of Japanese army motor vehicles on Tsingtao-Tsinan Railway has been noted; it is guessed that these trucks are intended for use in campaign in drive on Chengchow, Honan.

Four. Informant states that while the Chinese are still hopeful as to successful outcome of struggle, all signs increasingly point to permanent Japanese hold on Shantung province.

SOKOBIN

WWC:DDM

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

CONFIDENTIAL

PARAPHRASE

A telegram (No. 26) of February 1, 1939, from the American Consul at Tsingtao reads substantially as follows:

A reliable American living in the interior has informed the Consulate to the following effect:

It is surmised that Japanese army motor vehicles, large numbers of which have been noticed in transit on the Tsingtao-Tsinan Railway, are to be used in an attack on Chengchow in Honan Province. With Weihai as the center the Japanese are widening their control in that part of Shantung Province north of the Tsingtao-Tsinan Railway. Already they have made a good deal of progress. In this connection reference is made to telegram No. 13 of January 18 from Tsingtao. Although the Chinese still hope for a successful result of the struggle there are increasing indications that Japan's hold on Shantung will be permanent. As from January 29, as a step in the drive on guerrillas, Chinese are liable to be shot at sight if they try to cross the railway in either direction without permission. Under Japanese supervision a motor highway, which will probably be extended to Tsingtao, is being built. Five thousand Chinese coolies are engaged in the work. There are reports that an airfield has been established at Fangtze.

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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  
Chungking, January 12, 1939.

No. 117.

Subject: Report on War Conditions  
by General Ho Ying-chin.

1939 MAY 2 PM 4 15

COMMUNICATIONS  
AND RECORDS

ONE-MID

Air mail  
Copy was  
received  
Feb 3  
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COPIES SENT TO  
ONE AND M.I.D.

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The Honorable  
The Secretary of State,  
Washington.

Sir:

I have the honor to enclose as of possible interest  
1/ to the Department a copy of a Central News Agency release  
dated January 10, 1939, which contains what is purported  
to be the gist of a report made by General Ho Ying-chin,  
Minister of Military Administration, at the weekly memorial  
service of the Central Kuomintang Headquarters at Chungking  
on January 9, 1939.

While the release is obviously general in character,  
as were vernacular reports on the subject, General Ho's

allegations

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

- 2 -

allegations concerning Japanese losses and improvements in the Chinese military forces, as well as his predictions of the future course of hostilities, are believed to be worthy of scrutiny.

Respectfully yours,

  
Willys R. Peck,  
Chargé d'Affaires ad Interim.

Enclosure:

1/ Copy of Central News Agency release.

Original and four copies to Department  
(one copy by trans-Pacific airmail) sent Jan. 14. H.W.  
Copy to Peiping  
Copy to Tokyo.

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EFD:MCL

172

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. 117  
Dated Jan. 12, 1939.

CENTRAL NEWS AGENCY

January 10, 1939.

WAR MINISTER REVEALS TREMENDOUS LOSSES BORNE  
BY INVADERS IN LAST 18 MONTHS OF WARFARE

-----  
ON OTHER HAND, HO SAYS CHINESE ARMY HAS MADE  
GREAT PROGRESS SINCE HOSTILITIES STARTED

Chungking, Jan. 10: China has suffered much from the present war, but it has not been smooth sailing for Japan either for according to Gen. Ho Ying-chin, Minister of War (Military Administration), the invaders have borne losses far exceeding their original calculation.

General Ho made a report on the improvement of the Chinese army yesterday at the weekly memorial service at the Central Kuomintang Headquarters, in the course of which he revealed the following startling military losses incurred by the Japanese during the last one and half years:

"According to statistics, the Japanese military expenditure runs into ¥10,000,000 a day, or ¥300,000,000 a month. Since the outbreak of hostilities, the Japanese casualties have reached a staggering total of 700,000.

"The number of Japanese airplanes destroyed, insofar as definite proofs have been obtained, totalled 649, while Japanese planes damaged in air accidents already numbered 2,202. Meanwhile, well-substantiated reports indicate that 766 Japanese airmen have either been captured, killed or have deserted their ranks. Judging from intelligence reports coming in and the number of Japanese machines damaged, the

figure

- 2 -

figure should be more than 1,900.

"Japan's Navy has also suffered much at the hands of the Chinese, the number of Japanese warships and launches sunk or damaged being 580.

"One thousand two hundred Japanese motor lorries, armored cars and tanks have either been destroyed or captured by the Chinese. Other Japanese losses in military equipment included 542 cannons of various descriptions, 604 trench mortars and projectiles, 4,168 light and heavy machine-guns, and 72,592 rifles."

Contrasting this, General Ho stated that the Chinese Army is growing stronger as the war progresses, principally because of the improved quality of the Chinese soldiers, the gradual expansion of the arms and equipment of the Chinese Army, and the standardization of the pay and allowances, personnel management and military training.

"While busily offering armed resistance, we have not overlooked the rebuilding of the Chinese Army. As a result, the fighting strength of the Chinese Army has been increased, while the quantity of Chinese arms is many times more than when the war first started."

War Minister Ho reported favorably on the progress achieved by China along the following lines during the period under review: reorganization of armies, replenishment of troops, establishment of munitions industry, and improvement of the personnel and training systems.

Troop replenishment should not be much of a question, announced General Ho, adding that there will be a continuous stream of trained recruits to fill the gap in the Chinese Army.

Neither will China experience any shortage of arms and ammunition, for the Military Affairs Commission has mapped out

- 3 -

a comprehensive plan for the development of the munitions industry.

"Since the war began, all the armies of the entire nation have unanimously participated in the campaign. A unified form of standardization has been applied to practically all the units, it being a rule rather than an exception. Even some local forces have asked that they be reorganized into the National Army and given the same training. This is an encouraging sign during the war of resistance, and is a concrete indication of real national unity and military progress."

Discussing the latest phase of the Sino-Japanese hostilities, the War Minister pointed out that the deeper the invaders penetrate into Chinese territory the longer will be their line of supply and the greater difficulties they will encounter in bringing up troops and supplies from their bases. Moreover, in future battles with the defenders, the effectiveness of the Japanese tanks and heavy artillery will be correspondingly reduced.

Neither is the topography favorable to the Japanese, he added. At the same time, the invaders have to reckon with the mobile warfare and guerilla warfare engaged in by the Chinese forces behind their lines.

Although the various fronts have been quiet of late, General Ho said the fact is that both sides still engage each other in pitched battles. After the reorganization of the Japanese Cabinet, he predicted, the Japanese would intensify their military campaign and would resume their efforts to score a quick and decisive victory.

"However," emphatically declared the War Minister, "as long as the enemy fails to annihilate the entire Chinese Army, he will never succeed in subjugating China. From the experience of the last 18 months, it is obvious that the enemy can never crush the major forces of the Chinese Army."

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

February 7, 1939

Chungking's despatch no. 117 of January 12 encloses, as "worthy of scrutiny", an outline of a report by General Ho Ying-chin which alleges that the hostilities have cost Japan ¥10,000,000 daily and the following:

Casualties	700,000
Planes known destroyed	649
Planes damaged in accidents	2,202
Airmen captured, killed, deserted	766 known 1,900 est'd.
Warships and launches sunk or damaged	580

Other losses:

Tanks and other motor vehicles	1,200
Cannon	342
Trench mortars and projectiles	664
Machine guns	4,168
Rifles	72,592

The report also alleges that the Chinese Army has grown continually stronger as a result of reorganization, troop replenishment, standardization, expansion of equipment and improved personnel and training systems; that ample man power is assured, and also munitions supply, in consequence of a comprehensive plan for development of the munitions industry; that the Japanese will soon again try to score a decisive victory, but will be handicapped by topography, extended lines and guerrilla war and unable to "crush" the major forces of the Chinese Army".

FE:Chase

073

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

Copy to the Department  
by airmail

Chungking, January 12, 1939.

No. 117.

**Subject: Report on war Conditions  
by General Ho Ying-chin.**

AIR MAIL

793.94

Investigation Check	File
1-11-11	CN/1-1101

RECEIVED  
DEPARTMENT OF STATE

1939 FEB 2 AM 10 11

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

Division of  
EASTERN AFFAIRS  
FEB 3 - 1939  
Department of State

793.94/14663

The Honorable

The Secretary of State,  
Washington.

Sir:

DEPARTMENT OF STATE  
1/ FEB 15 1939  
ASSISTANT SECRETARY  
OF STATE

I have the honor to enclose as of possible interest to the Department a copy of a Central News Agency release dated January 10, 1939, which contains what is purported to be the gist of a report made by General Ho Ying-chin, Minister of Military Administration, at the weekly memorial service of the central Kuomintang Headquarters at Chungking on January 9, 1939.

While the release is obviously general in character, as were vernacular reports on the subject, General Ho's

allegations

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

- 2 -

allegations concerning Japanese losses and improvements in the Chinese military forces, as well as his predictions of the future course of hostilities, are believed to be worthy of scrutiny.

Respectfully yours,

Willis R. Beck,  
Chargé d'Affaires ad interim.

✓  
enclosure:

1/ Copy of Central News Agency release.

original and four copies to Department  
(one copy by trans-Pacific airmail)  
Copy to Peiping  
Copy to Tokyo.

710

WFD:MCL



73

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. 117  
Dated Jan. 12, 1939.

CENTRAL NEWS AGENCY

January 10, 1939.

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BY INVADERS IN LAST 18 MONTHS OF WARFARE

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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 -

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- 3 -

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

DOCUMENT FILE

NOTE

SEE 846g.00/39 FOR Tel #29, 9am

FROM Hong Kong ( Southard ) DATED Feb. 1, 1939  
TO NAME 1-1127 \*\*\*

REGARDING: Developments in Hong Kong during January, 1939, having relation to Sino-Japanese conflict: summary of - for Embassy at Peiping.

wb

793.94/14664

4664

FK

JR

GRAY

Hong Kong via N. R.

Dated February 1, 1939

Rec'd 7:15 a.m.

Secretary of State,  
Washington.

28, February 1, 9 a.m.

The Department has instructed this office to send you monthly a brief telegraphic summary of developments and events at or near Hong Kong which have relation to China. The following is our summary for January.

One. Increasing junk piracy allegedly by Chinese soldiers in waters adjacent to Hong Kong. Same agents are reported to be committing many acts of brigandage in the immediate hinterland from which Japanese troops have been withdrawn.

Two. Number of refugees centralizing in Hong Kong territory is steadily being reduced by return of many refugees to their homes in the hinterland.

Three. Continued negotiation between British here and Japanese for opening of Pearl River. Local observers believe reopening has been recommended by Japanese headquarters at Canton and is held up by Tokyo owing to belief there that precedent thus created might be unfavorable to plans for Yangtze. An occasional

merchantship

note  
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173  
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-#29, February 1, 9 a.m., from Hong Kong via N. R.

merchantship is permitted to make round trip between either Macao and Canton or between Hong Kong and Canton. Gunboats continue to carry passengers and mail more or less regularly.

Four. Much discussion and belief here that Japanese attack and invasion at Pakhoi is imminent and inevitable.

Five. Japanese bankers from Shanghai have visited Hong Kong who are alleged in reliable local sources to be endeavoring unsuccessfully to see T. V. Soong to discuss currency and exchange matters.

Six. Import and export trade over the land frontier between this colony and the hinterland is gradually increasing. Merchandise shipments of value over the frontier must be accompanied by armed guards against many Chinese soldiers turned to brigandage in the hinterland.

Seven. Economic and business prosperity of this colony so far appears to have been much less seriously affected by Japanese occupation of Canton than most observers passing through thought would happen. Sent to Peiping.

SOUTHARD

WWC: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

*Copy in paraphrase  
sent to Treasury  
as strictly confidential*

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

TELEGRAM RECEIVED

RECEIVED VIA N.R.

Dated February 2, 1939

FROM Rec'd 1:30 p.m.

Secretary of State

Washington

68, February 2, . midnight.

Embassy's 619 December 24, 3.p.m.

*of paraphrase*  
PIER SENT TO  
GENERAL AND M.I.D.  
*in confidence*

*Heck*  
Division of  
FOR EASTERN AFFAIRS  
FEB 3 - 1939  
Department of State  
*me*

In a conversation on February 1, a German mili-  
tary adviser who has remained with the Generalissimo  
stated to a member of the Embassy that the Chinese  
Army is still undergoing reorganization and replenish-  
ment. This informant declared he believed that the  
Chinese Army is now prepared for at least another year  
of hostilities and expressed confidence that if supplied  
with war materials from abroad the Chinese could con-  
tinue to wage war indefinitely.

Referring to the question of possible Japanese  
movements  
military / the informant said that while he is  
cognizant of rumors of an imminent Japanese push into  
Shensi, he believes the Japanese will first strike at  
Kwangsi for the following reasons: (End Section One)

Repeat to Embassy at Peiping.

PECK

PEG:CSB

795.94/14665

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

5381

## TELEGRAM RECEIVED

PAP

This telegram must be  
closely paraphrased be- FROM  
fore being communicated  
to anyone (Br)

CHUNGKING VIA N.R.

Dated February 2, 1939

Rec'd 1:30 p.m.

Secretary of State

Washington

68, February 2, midnight (Section Two)

(one) the belief that a drive in the south will enable the Japanese Navy to fulfill its desire to participate in operations and that such an advance will be possible without undue foreign risk and (two) the belief that a drive on Sian and toward Chengtu would amount to the "turning of the back" of the Japanese army to Soviet Russia, a position in which he feels that the Japanese army would be reluctant to place itself owing to the parlous state of Japanese Russian relations and the shifting international situation.

The informant stated that Russian military advisers in China now number about two hundred and that they are serving in various advisory capacities with the Chinese Army. (END OF MESSAGE)

Repeated to Peiping.

PECK

HTM: PEG



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

P A R A P H R A S E

A telegram (No. 68) of February 2, 1939, from the American Embassy at Chungking reads substantially as follows:

A member of the Embassy staff was informed on February 1 by a German military adviser who has remained with General Chiang Kai-shek that there are now approximately two hundred Russian military advisers in China and that they are employed with the Chinese army in various capacities of an advisory nature.

Although this informant knew of the rumors to the effect that a Japanese advance into Shensi Province was about to begin, he was of the opinion that the Japanese attack will be directed first at Kwangsi Province. His reasons for this opinion were (a) his belief that an advance on Sian and in the direction of Chengtu would be equivalent to the Japanese army turning its back toward Russia which he feels the Japanese would hesitate to do in view of the changing international situation and the dangerous condition of Russo-Japanese relations and (b) his belief that an advance in the south will not entail undue foreign risk and will make it possible for the Japanese Navy to satisfy its desire to take part in operations.

793.94/14665

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-

operations. This informant expressed the opinion that the Chinese Army is ready now for another year at least of war and he was confident that the Chinese could wage war for an indefinite period if supplied with war materials from abroad. He added that a process of replenishment and reorganization of the Chinese Army is still going on.

793.94/14665

296.  
FE:JCS:JPS  
2-6-39

214P  
FE  
RWS

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

REB

TELEGRAM RECEIVED

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

CHUNGKING VIA N.R.

Dated February 2, 1939

Rec'd 1:30 p. m.

Secretary of State,  
Washington.

66, February 2, 9 a. m.  
Embassy's No. (A) January 30, noon.

Confidential. An official of the Chinese Foreign

Office on February 1 confirmed to a member of the Embassy  
staff that Wang Ching Wei had been issued a passport at  
the specific instructions of General Chiang Kai Shek.  
He interpreted this action on the part of the Generalis-  
simo (one) as an effort to maintain the friendly relations  
that have hitherto existed between the two leaders and  
(two) as a move to facilitate Wang Ching Wei's departure  
for Europe in order to lessen the chances of the latter's  
possible alignment with the Japanese or Japanese sponsored  
regimes in China. This official expressed the view  
however that Wang Ching Wei would not (repeat not)  
participate in any Japanese movement for the formation  
of new governments in the occupied areas.

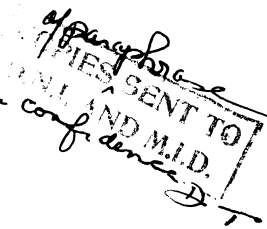
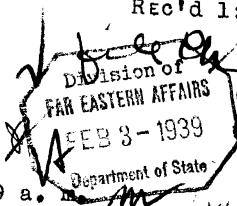
Peng Hsueh Pei, Vice Minister of Communications and

(A) a

F/EG

793.94/14666

Copy to Treasury in  
Kunming at  
strictly Confidential  
rev 5382



WB  
5/23/39

1 / 4

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

5383

REB

2-#66, From Chungking, Feb. 2, 9a.m.

wb  
5/23/37

*Lig*  
(1) a former close adherent of Wang Ching Wei, has on *Positively*  
two occasions told members of the Embassy that Wang has  
no (repeat no) intention of working with the Japanese  
or their puppet organizations.

Repeated to Peiping.

PECK

CSB

~~(\*) Apparent omission~~

0 7 4 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

Confidential

CONFIDENTIAL

P A R A P H R A S E

A confidential telegram (No. 66) of February 2, 1939, from the American Embassy at Chungking reads substantially as follows:

Members of the Embassy staff have been informed on two occasions by a Vice Minister of Communications (Peng Hsueh-pei) who was formerly a close adherent of Wang Ching-wei that the latter does not intend to work with the Japanese or with the puppet organizations set up by them. On February 1 an official of the Chinese Foreign Office expressed to one of the Embassy staff the opinion that Wang would not take part in any move by the Japanese looking toward the establishment of new regimes in the occupied territories. This official confirmed a report to the effect that at the Generalissimo's explicit instructions a passport had been issued to Wang. He (the official) construed the Generalissimo's action in this regard as a move to assist Wang's departure for Europe so as to lessen the possibility of the latter aligning himself with the Japanese or with government in China sponsored by the Japanese and as an attempt to preserve the friendly relations hitherto existing between Chiang and Wang.

793.94/14666

793.94/14666  
FE:EDC:JPS  
2-6-39

FE  
REPLY

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

PLAIN & GRAY

FROM Hankow via N. R.

Dated February 2, 1939

Rec'd 6 a.m., 3rd.

Secretary of State,  
Washington.

February 2, noon.

793.94

WUHAN PAO, Japanese controlled daily, has published purported joint proclamation by police and Finance Bureau of Wuhan Peace Maintenance Society, stating in brief that peace and order are improving daily in Wuhan and all trades are reviving. Beginning February first all vehicles in Hankow must register and pay license fees quarterly. Table of license fees is published according to which private motor cars pay twenty dollars per quarter and trucks up to ninety dollars per quarter.

I presume similar fees are in effect in former Shanghai municipality and shall appreciate receiving information regarding advice if any given by your office to American owners of vehicles regarding payment of license fees.

Sent to Shanghai,

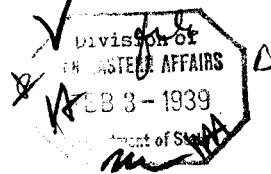
Repeated to Chungking, Peiping.

JOSSELYN

DDM:HTM

793.94/14667

F/FG



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

Sketch. H. S. C.  
impugn p. 4

does not define  
 or limit "economic  
 measures"

bottom of p. 1 + 11  
 end of p. 12  
 are not consistent

See v + x 1.

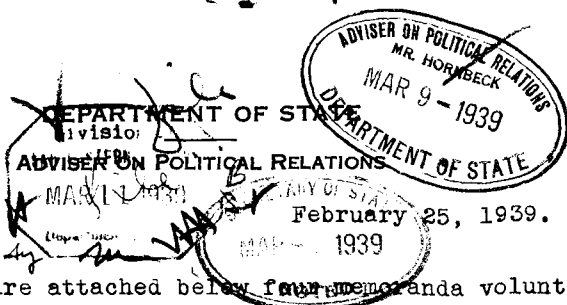
The British Empire is gone. In  
 its place is a free and responsible  
 community of independent  
 states, Canada, Australia, Irish  
 Republic, England and more influential  
 industrial states which depended  
 for the Empire earlier but  
 not now. The U.S. as the  
 most and more influential  
 member of this community must  
 have the leadership in preserving  
 the ideals of international relations  
 and must hold which shall  
 come down for and make  
 possible.

DEPARTMENT OF STATE  
 DIVISION OF FAR EASTERN AFFAIRS

Mr. Tolstun has been called  
 all of the arguments against  
 Sanctions against Japan by the  
 U.S. my will. He does not oppose  
 alternate use of this weapon but  
 questions whether this is the time for  
 such measures.

793.94/14667-1  
 12/1

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



There are attached below ~~four~~ memoranda volunteered by officers of the Division of Far Eastern Affairs on various aspects of the situation in the Far East and problems of American policy and action in relation thereto, as follows:

Memorandum by:

- Mr. Vincent, July 23, 1938; 793.94/13729
- Mr. Sturgeon, December 1, 1938; 793.94/14451 1/2
- Mr. Adams, January 27, 1939; 793.94/14653 1/2
- Mr. Salisbury, January 30, 1939; 793.94/14667 1/2

Of these officers, Mr. Adams and Mr. Vincent are "China" officers; Mr. Salisbury and Mr. Sturgeon are "Japan" officers.

Mr. Adams and Mr. Vincent take positions to the effect that the United States could and should follow a positive course in regard to the Far Eastern situation. Mr. Salisbury takes a position that we should at some time act but the present is not the opportune moment. Mr. Sturgeon takes a position that we are not in position to act.

Mr. Vincent,

FW-793.94/14667 1 2

F/FG



5385

- 2 -

Mr. Vincent, writing seven months ago, expressed views, among others, as follows: "I believe . . . . that it is vitally important not only for China but for us and for other democratic nations that Chinese resistance not collapse. . . . . I cannot but earnestly recommend that, within the limitations of our desire to avoid involvement . . . . . we should overlook no opportunity now to bolster up Chinese will and ability to resist, and to embarrass the Japanese in their attempts to conquer China. To those ends I believe (a) that the doctrine of non-recognition should be unequivocally restated to apply in the present situation, (b) that as a corollary to non-recognition steps should be taken effectively to discourage loans or material credits to Japan or to Chinese régimes or agencies under Japanese control, (c) that the possibility of affording financial assistance to China should be thoroughly explored, (d) that our trade with Japan should be carefully examined with a view to withholding, either through export or import restrictions or both, assistance to Japan, and (e) that consultation and collaboration, if possible, with other interested governments in regard to the implementation of feasible measures should be undertaken.

"I realize that some of these matters can only appropriately be dealt with legislatively rather than administratively, but in so far as action may be taken administratively

I

- 3 -

5386

I feel that it should be taken, and where legislative action is required I think that the influence of the Department should be brought to bear."

Mr. Sturgeon, writing two months ago, took the position "that retaliatory action on our part, if taken at all, should be strictly limited to such measures as would afford the least possible opportunity for the Japanese military authorities in China to make issues of them." He favored watchful waiting. He brought his memorandum to a close with the statement, "It is believed that our moves in this situation should be made in such manner as (a) to leave the way, as well as the atmosphere, clear for the settlement of some of the questions at issue by the conference method and (b) to leave the way open for revision or adjustment of our Far Eastern policy to conditions which probably can only be correctly appraised after the Sino-Japanese hostilities may come to a definite conclusion."

Mr. Salisbury, writing at the end of January, also advocated watchful waiting. He addressed himself especially to "the question whether the United States ought to adopt an economic policy toward Japan and China intended to insure failure of Japan in its attempted conquest of China"; and he undertook "to reach an answer to that question only in its relation to the welfare of the United States of America." He stated his conclusion at the outset: "to attempt at the present time to effect the failure of Japan's policy

5387

- 4 -

policy in China through economic measures will not serve the best interests of the United States"; and he stated it again at the end: "The conclusion arrived at in this memorandum is that the application of economic measures directed against Japan before the certainty of Japan's success in China is established would invite the risk of a war between the United States and Japan which would be contrary to the best interests of the United States when, by waiting, risk of war with Japan may be eliminated through factors not originating in the policy of the United States."

Mr. Adams, writing a month ago, gives account of Japan's occupation in areas in China and setting up of machinery for exploitation; and of Japanese official statements of intention. He says: "Developments during the past few years in Manchuria and in China south of the Great Wall remove any reason for thinking that Mr. Arita's definition of Japan's aims might be an overstatement. It is now obvious that Japan intends to preempt for itself East Asia; that any participation by western powers or their nationals in developments there must in effect, if Japan's plans prevail, be in aid of and subordinate to Japan's plans; and that any participation in the trade of that area by occidental countries must be subordinate to Japan's requirements." He then points out what a successful execution of Japan's intentions in China might be expected to cost the United States. He states that

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he has begun "to incline to the opinion that to continue to expect Japan to bog down for want of financial resources would merely be wishful thinking." He inquires whether it would be easier to stop Japan now than to deal with the situation which would exist were Japan to consolidate her position in China. He asks, "Is it not possible that failure to take action now may in years to come be looked back upon as another lost opportunity . . . .?" He discusses the question of cooperation among the powers toward checking "lawless neighbors". He points out that the United States is "the only strong law-abiding member of the community not restrained by threat of an immediate checkmate from another quarter, from attempting to maintain order in the Far East which is a neighborhood where for a long time the United States has played a leading role." He continues: "The United States is in a key position. Her comparative inactivity in the maintenance of community order paralyzes British and French action both in Europe and the Far East." . . . . "There is reason to believe that if the United States had been in a position to deal effectively with Japan in the Far East during the past year, and had been so doing, Great Britain and France would have been able to restrain Germany." He quotes, to the point, from the Secretary of State's speech at Nashville on June 3, 1938. He submits  
that

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that ". . . if the United States should decide to act in the present emergency in the Far East, we should definitely choose between a course calculated to stop Japan and one designed merely to decrease the measure of Japan's success in the present China venture. Unless we are prepared to make our action decisive, we would be well advised to limit our measures to steps that would not provoke thoroughgoing retaliation by Japan." He discusses the "extensive field of action lying between a do-nothing policy and action having in mind possible resort to armed force." He believes: ". . . that a decision to stop Japan need not necessarily lead to actual clash of our armed forces with those of Japan, particularly if the United States were prepared as a last resort to proceed to that length." He suggests possible lines of procedure directed toward specified possible objectives (see pages 14-16).

As possible "immediate and specific objectives", Mr. Adams suggests: (1) freedom for American cultural enterprise in China; (2) equality of financial and business opportunity for American citizens in China; (3) preservation of the integrity of Chinese Government revenue-collecting agencies; and (4) effort to preserve Japan's dignity and self-respect. In the realm of possible action, Mr. Adams suggests: (1) notification of termination of the American Japanese commercial treaty of 1911; (2) prohibition of extension (by American nationals)

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nationals) of financial assistance to Japan or to "Manchukuo"; (3) withdrawal of American Ambassador to Japan; (4) effort to accomplish promptly a paralysis of Japan's foreign trade; (5) effort to persuade other countries to adopt similar measures; and (6) extension of further financial assistance to China.

Mr. Adams takes account of the possibility that the Japanese (or some Japanese) might retaliate by measures which would adversely and seriously involve Americans and American interests in the Far East. (He has expressed, however, the view that this need not necessarily lead to a clash of armed forces.)

Mr. Adams' memorandum ends with the statement: "Nevertheless, it is believed that with resolute leadership American opinion would on the whole see the justice of and support the measures suggested in this memorandum."

I have submitted these memoranda to Ambassador Johnson and the Ambassador has made written comment on them as follows: "I have read these memoranda. I find myself more in sympathy with the statements contained in the memoranda submitted by Messrs. Adams and Vincent -- especially Mr. Adams -- than with the arguments of Messrs. Salisbury and Sturgeon which are of the nature of a non possumus. Salisbury at least recommends action but feels that the present is not

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the time. I for one feel that we must begin now to show our teeth and that we must go forward from now on or we may forever find ourselves estopped from taking action. Some day we may have a Japan claiming everything west of the 180th meridian as Japanese sphere within which we may neither fortify nor enter without Japanese permission."

Ambassador Johnson has also made express comments in regard to particular items, as follows: "Mr. Salisbury has marshalled all of the arguments against sanctions against Japan by the United States very well. He does not oppose ultimate use of this weapon but questions whether this is the time for such measures."

"I agree with Mr. Adams' statement of Japanese aims in the Far East."

"We cannot afford to wait too long. Time is with China in its conflict with Japan but time is with the totalitarian states in their relations with the democracies."

"The British Empire is gone. In succession to its power and responsibility we have a community of independent States, Canada, Australia, South Africa, England and, more influential, the United States, which departed from the Empire earlier but with violence. The United States as the richer and more influential member of this community must take the initiative in preserving the ideals of international relations and the kind of a world which that Empire stood for and made possible."

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In this account of the contents of these memoranda, more attention has been given by the undersigned to Mr. Vincent's and Mr. Adams' memoranda than to Mr. Sturgeon's and Mr. Salisbury's memoranda, for the reason that Mr. Vincent's and Mr. Adams' memoranda are affirmative in character; they urge that a new attitude be adopted and new steps be taken; and, on the principle that the burden of proof lies with the affirmative, they present the constructive side of the case. Mr. Sturgeon's and Mr. Salisbury's memoranda support an attitude which at present prevails, and advocate, generally speaking, persisting for the present in that attitude, and therefore present the negative side as regards the question of "action".

All four of these memoranda are well worth reading if time permits. The Secretary and the Under Secretary have already, some time ago, seen Mr. Vincent's memorandum, but it is worth a re-reading.

  
Stanley K. Hornbeck

PA/H:SKH:ZMK



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

*Copy in paraphrase  
sent to Treasury  
in confidence*

TELEGRAM RECEIVED *rec'd*

MB

FROM CHUNGKING VIA N.R.

This message must be  
closely paraphrased be-  
fore being communicated  
to anyone (br)

Dated February 5, 1939

Rec'd 11: 25 a.m.

793.94  
Secretary of State,  
Washington.

*of paraphrase*  
CONFIDENTIAL  
ONE AND A HALF  
*in confidence*

*File ch B*  
FEB 6 - 1939  
*W. H. H. H.*

75, February 5, 5 p.m.

The Embassy learns from an official source that  
Wanhsien and ~~Kwei~~ *Kueichow* were heavily bombed by Japanese planes  
February 4. Casualties in the former city are esti-  
mated to total about 1000 persons while the number  
sustained in the latter city is unknown although it is  
reported that a large part of the city was destroyed by  
fire, including the Provincial Government building.

The Embassy is without information of the status  
of American lives and property in these cities.

Repeated to Peiping, Hankow.

PECK

RR

793.94/14668

F/FG

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

Confidential

CONFIDENTIAL

PARAPHRASE

A telegram (No. 75) of February 5, 1939, from the American Embassy at Chungking reads substantially as follows:

No information has been received by the Embassy in regard to the status of American lives and property in Kweichow and Wanhsien which, according to information emanating from an official source, were bombed heavily on February 4 by Japanese airplanes. It is reported that the Provincial Government Building, together with a large part of Kweichow, was destroyed by fire, but the number of casualties in that city is not known. The casualties in Wanhsien are estimated at approximately one thousand persons.

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

## TELEGRAM RECEIVED

EDA

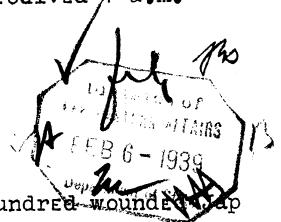
This telegram was received FROM  
in Navy code and must be  
closely paraphrased before  
being communicated to anyone

MARDET TIENTSIN

February February 6, 1939

Received 7 a.m.

ACTION OPNAV  
INFO COM USMC FORCES NORTH CHINA  
CINCAF  
FOURTH MARINES  
ALUSNA PEIPING



0006. Approximately three hundred wounded  
troops week ending yesterday from direction Tientsin  
to Chinwangtao and there placed aboard hospital ship.  
0905.

DDM

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FEB 6 1939

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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

February 11, 1939

~~JWB:~~  
~~MMH:~~

Tokyo's despatch no. 3606 of January 16, 1939, encloses a copy of a published statement by Shiumsho, a reactionary organ in Tokyo, entitled "Japan's World Policy", in which it is stated that the Western policy of utilitarianism will bring destruction to civilization, that the world policy of Japan, which is "the world, one household", will save civilization, and that nothing can block Japan in achieving her aims. The article is chauvinistic and fanatical. It is similar in tone to previous statements published by this organization.

FE:Sal *[Signature]* :HJN

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



RECEIVED  
THE FOREIGN SERVICE  
DEPARTMENT OF STATE  
UNITED STATES OF AMERICA

1939 FEB 6 PM 3 22

AMERICAN EMBASSY

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

Tokyo, January 16, 1938.

No. 3606.

SUBJECT: ARTICLE PUBLISHED BY "THE SHIUNSO",  
"JAPAN'S WORLD POLICY".

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					



793.94/14670

The Honorable

The Secretary of State,  
Washington.

Sir:

793.94/14511  
1/ I have the honor to refer to despatch No. 3492,  
December 2, 1938, and as of possible interest to the  
Department to forward herewith a single copy of an  
English translation of an advertisement recently pub-  
lished by the SHIUNSO in the leading vernacular news-  
papers. The Embassy has been informed that this English  
translation has been widely circulated among the Japan-  
ese in the United States.

Respectfully yours,

*Joseph C. Grew*

Joseph C. Grew.

MWS  
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Enclosure:  
1/ As stated above.

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

# JAPAN'S WO

I. The first essential fact in deciding Japan's world policy is the clear recognition that the present China Incident is a great turning point from the "modern era," which has been featured by the ugliest utilitarian confrontation struggle known to humanity, to a new era of co-existence of all nations and co-prosperity of humanity.

The guiding spirit of civilization in the modern age from the eighteenth century to the present—mainly the age of the European civilization—has been based on the idea that the manifestation of mutual utilitarianism, politically and economically, will bring progress and prosperity to the world. Thus nations as well as individuals engaged in utilitarian confrontation struggles. Just as in the animal world, the strong preyed on the weak, but none thought it wrong.

The ravage of the World War, twenty years ago, was the Heaven's warning that has revealed most vividly to the peoples of all countries how the guiding spirit of this modern age is contrary to the ideal of co-existence of all nations and co-prosperity of humanity.

But unfortunately, the evil fate of the modern people might have been too strong, and while they deeply shuddered in recollecting the miseries of the War, they did not learn any lesson from it and did not change the course of their civilization. On the contrary their utilitarian confrontation struggles were augmented, and they have proceeded blindly toward the destruction of the human life. Such has been the condition up to the present.

## —Destruction by Material Progress—

II. The second essential factor in deciding Japan's world policy is to know that if the guiding spirit of civilization is left in the former utilitarianism, scientific discoveries and mechanical inventions which are bound to multiply in the future, will lead the human life in accelerated speed to utter destruction.

It is quite evident that under the utilitarian civilization all mechanical devices to be brought about by the progress of material science will be utilized as tools for utilitarian struggles. Thus the application of such mechanical power may appear in form to show the brilliant progress of civilization, but viewed from a substantial standpoint, there is not a small tendency of leading the human life down to extreme materialism, and thus making human beings slaves to machinery.

Actually human beings are now being enslaved by machine that should be used by them as a tool for the betterment of the human life.

By mechanical inventions and contrivances that are being made every day, causes everywhere the reversal of values and sudden changes in conditions, to which the people have no time to adjust themselves to the new conditions. Look at the miserable plight of the human being now being dragged around by various machinery.

Therefore, the further progress of machinery under the former utilitarian civilization of Europe will clearly aggravate the utilitarian confrontation among the peoples and will lead the human life to its ruin at accelerated speed. But to transform such innumerable machineries to tools for betterment of the human life and for giving all necessities of human race and leisure moments for advancing the cultural life, there is no other way but to change the guiding spirit of modern civilization from the former utilitarianism to the spirit of co-existence of the nations and co-prosperity of mankind.

## —'The World, One Household'—

III. The Third essential factor in deciding Japan's world policy is to understand that ideal of "The world, one house-

hold" which has been its national principle since the founding of the Empire, means nothing but the wish to bring about an age of co-existence of all nations and co-prosperity of human beings, and to center all policies towards others in this ideal.

As long as Japan aims at materializing the ideal of "The world, one household" and possesses the great unselfish and unlimited love, all countries of the world are our friends, and all their peoples our brothers. Thus in the whole world there will be no nation nor people that Japan hates. Japan may sometimes strike at those who do not submit, but such will be only family affairs and punishment is given simply because we love them.

It must therefore be the meaning of the so-called "The world, one household" to make the whole world trust in Japan's great unselfish and unlimited love, and to change the direction of the former utilitarian civilization, and reversing the present world condition of aggravating struggles of utilitarian confrontation to bring about the co-existence of all nations and co-prosperity of humanity.

## —From 'Isms' to 'Way'—

Among the nations of Europe and America today it seems that some nations are making democracy their national spirit, others racialism, and again some totalitarianism and others communism. But all such "isms" are only the branches of utilitarianism born in the European utilitarian civilization.

None of them is based on the great unselfish love—all-embracing love—or the way of the Universe, absolutely free of utilitarianism or confrontation. Thus wherever any of those "isms" prospers there are constant struggles of utilitarian confrontation and there is never brought true peace to humanity.

(All that are called "isms" are something that mean confrontation with others. But such are not the Way of the Universe, which is ever true even extended to the limit of the universe and applied to all countries in the past, present and future. But what are known as "isms" cause contradictions and differences with others and harm to some parts when their application is extended to a wider circle.)

It is Japan's pride that the great love entirely free of utilitarianism and confrontation—thought based on the way of the Universe, aiming at the happiness and welfare of the entire humanity without a single exception—is found only in the spirit of our national policy or our Divine Way (Kodo), in the whole world. At the same time we feel sorry for other nations and their peoples, and sincerely desire that they will give up their insistent confrontation principles and will take all together the road to permanent peace and prosperity, hand in hand with us.

## —Manifestation of Creative Power—

IV. The fourth essential factor in deciding Japan's world policy is the realization that Japan aims at "The world, one household" or an era of co-existence of all nations and co-prosperity of human beings must manifest great creative power to bring peace and prosperity to all nations on the basis of her great love.

The creative power of human beings can be manifested unlimitedly when the aim is set at a great and noble object on the motive of unselfish love. Thus if the people of Japan manifest their creative power from the standpoint that the whole world is one, on the basis of great law of life, with the premise of the great love sufficient to cover the entire universe (that is to say, to manifest creative power from the standpoint that by bringing prosperity of others, their own prosperity will be naturally brought about), there is no doubt numerous plans will be produced in Japan for bringing peace and prosperity to the world.

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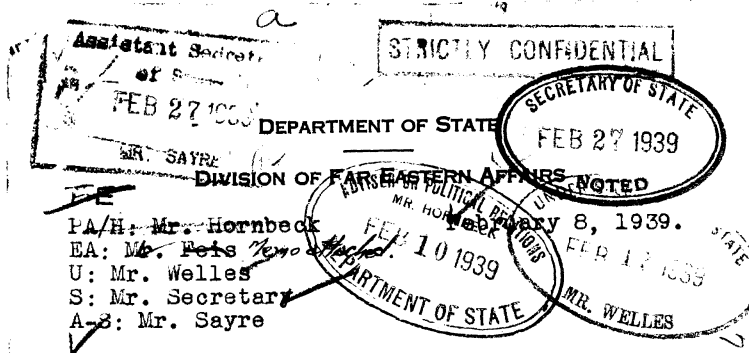
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 Department of State letter, August 10, 1972  
 By Milton D. Gustafson NARS, Date 12-18-75



The Embassy at Tokyo in its strictly confidential despatch 3591 of January 7, 1939, forwards a copy of a letter from the British Ambassador to Mr. Grew enclosing a copy of a secret memorandum by the British Embassy entitled "Possibilities of Economic Counter Measures".

The British Embassy's memorandum develops the conclusion that the placing upon imports from Japan of an embargo by the United States, Great Britain, and France, which take between them 70 percent of Japan's exports, would set in motion a process which must rapidly prove disastrous to Japan's economy. In addition, the British Ambassador advocates the refusal by those three countries to purchase gold from Japan provided that arrangements can be made to prevent Japanese gold from reaching them through third parties.

Ambassador Grew, while indicating that he expects in due course to submit his comments on the British Ambassador's memorandum, states that he has not modified his previous view disfavoring the imposition of economic sanctions against Japan unless the United States is prepared to resort to the ultimate measures of force, and he presents certain provisional views as follows:

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

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The opinion of the Ambassador's diplomatic colleagues that Japan would prefer to modify its position vis-à-vis foreign interests in China rather than to face the consequences of economic sanctions by the United States and Great Britain does not take into account other factors, chiefly psychological, which render it doubtful that Japan would make concessions to those powers prejudicial to the success of its China policy in order that Japan's present standard of living may be maintained. As a total cessation of trade with the United States and the British Empire would bring Japan's total trade down to the average annual figure of total foreign trade during the period from 1916 to 1920, it would seem a bold assertion to contend that the adjustments which Japan would have to make to conform to the conditions prevailing twenty years ago would be so great that she would prefer to prejudice, if not to abandon, her venture in China (Mr. Grew apparently has not taken into account that Japan's foreign trade of today is expressed in yen which has been depreciated to a fraction of its value twenty years ago). While Mr. Grew's colleagues attach importance to the complaints secretly expressed to them by Japanese businessmen, who are hard pressed by the present situation, the interests and desires of the capitalist class are unlikely to constitute a controlling consideration in an acute national emergency. These colleagues, who incidentally have been

predicting

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

DEPARTMENT OF STATE  
DIVISION OF FAR EASTERN AFFAIRS

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predicting Japan's economic collapse for the last two years, rest their case in regard to sanctions on facts and figures. However, the do-or-die spirit of the Japanese, their readiness to stake their national existence in war, and the loss of face that would be involved in defeat are factors which outweigh the logical calculations expected in Western nations. While the prospects of sanctions being imposed might render Japan disposed to make unimportant modifications and even possibly to remove restrictions upon trade, Japan would not be likely to make concessions amounting to a substantial restoration of the status quo ante.

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



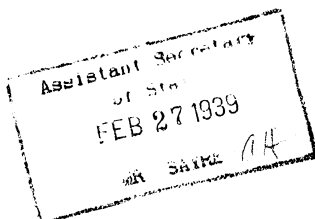
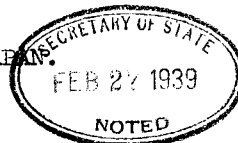
THE FOREIGN SERVICE  
OF THE STATE  
UNITED STATES OF AMERICA

1939 FEB 6 PM 2 56

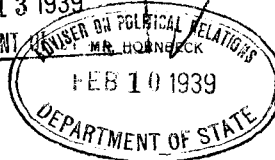
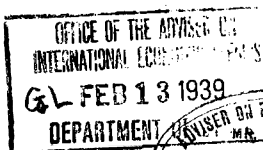
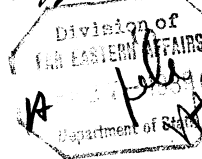
AMERICAN EMBASSY  
DIVISION OF  
COMMUNICATIONS  
AND RECORDS  
Tokyo, January 7, 1939.

No. 3591.

SUBJECT: ECONOMIC REPRISAL AGAINST JAPAN.



STRICTLY CONFIDENTIAL.



The Honorable

The Secretary of State,

Washington.

Sir:

1/ I have the honor to enclose for the strictly confidential information of the Department a copy of a secret memorandum made available to me by the British Ambassador and entitled "Possibilities of Economic Counter Measures."

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Confidential File

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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 sending the memorandum to me, Sir Robert Craigie wrote:

"In my view we have now reached a point at which it is no longer merely a question of protecting this or that vested or trade interest in China but of preventing, while there is yet time, the formation in East Asia of a political and economic entity which may have serious repercussions on the destiny of every Pacific Power. The ambitions of the elements which today are dominant in Japan will be limited by the degree of resistance which they encounter - and by nothing else."

The memorandum examines Japan's international trade position and points out that her exports to the United States, the British Empire, and France comprise approximately 70 per cent of her total exports to those countries where foreign exchange necessary for the purchase of essential raw materials can be earned. From such figures that are available, it would appear that Japan will not have on hand sufficient gold to make up its unfavorable trade balance in 1939. The conclusion is reached that if an embargo were placed on Japan's exports to the United States, British Empire, and France, "the effect would set in motion a process which must rapidly prove disastrous for Japan's economy." Refusal by the three nations above-mentioned to purchase gold from Japan is suggested as a first step if "arrangements could be made to prevent Japanese gold reaching those countries through third parties."

We are now studying this memorandum, and I hope to be in a position in due course to submit comment thereon. However, I wish to make it clear, in forwarding this paper, that I have not modified the view which I have expressed on several occasions - that I do not favor the taking by

the

the United States of any measure partaking of the nature of economic sanctions against Japan unless the United States is prepared to resort to the ultimate measures of force.

Virtually all of my colleagues who have discussed with me the possible effects of imposition on Japan of economic sanctions by the United States and Great Britain are of the opinion that, if markets in American and British areas for the important products of Japan were closed to that country and if, at the same time, the primary materials available in such areas were denied to Japan, the effects on her economy would be catastrophic, and that Japan would prefer to modify her position vis-a-vis foreign interests in China rather than to face the consequences of such sanctions. The fact that 65 per cent of Japan's trade with countries outside the yen bloc is represented by her trade with the United States and British Empire areas is impressive. However, it is from that point on that opinions cannot be conclusive.

My British, Belgian, Netherlands and other colleagues to whom I refer are confident that Japan could not face the loss, which these colleagues contend would have such far-reaching consequences to Japan, of the raw materials and of the markets which together represent the above-mentioned figure of 65 per cent. The arguments on the other side, which they discount, are largely - but not entirely - psychological. Japan has staked her entire future on the success of the China venture. Her defeat, not necessarily at the hands of the Chinese forces, but through the operation  
of

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of factors which consume Japan's resources, would eventually bring about in successive stages her retreat from the whole of China and perhaps even from the continent of Asia. This process of contraction, ending with the throwing back of Japan into her legal territorial confines, would result certainly in her relapse into the status of a minor power and probably in social and political upheavals of a revolutionary character. The question presented, when reduced to its elements, is this: Is Japan likely to make any concession to the United States and Great Britain which would prejudice the success of her China policy in order that her present standard of living might be maintained? An affirmative answer to that question would entail writing off the capacity of the Japanese people to discipline themselves and to make sacrifices and laying emphasis on the supposed attachment of these people to a standard of living higher than that which their indigenous mode of living requires. And it must be remembered, in connection with the question of the effect on the standard of living of the loss of Japan's trade with the United States and Great Britain, that the remainder of her trade with countries outside the yen bloc, added to her trade with North and Central China and Manchuria, amounted in 1938 to a figure in yen equal to her total average foreign trade for the five years 1916 to 1920.

I cannot imagine that any intelligent Japanese contemplates with equanimity the prospect of economic sanctions by the United States and Great Britain. We have had instances where protests on the part of the American and British Governments have caused the correction by the Japanese of conditions

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

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- 5 -

conditions in China which they themselves had created; but these conditions, such as the Menchiang oil monopoly and the embargo on the export of hides and skins, were not only illegal but of relatively small importance, and the concessions which the Japanese made could not have affected in either direction the ultimate outcome of the conflict. I am, therefore, of the opinion that if economic sanctions were in definite prospect there might be an even greater disposition on the part of the Japanese military authorities in China, who seem to have so much say in these matters, to correct conditions which also would not influence the course of events. If, however, the objectives which would be sought by the laying down of sanctions were not to be confined to the correcting of conditions of relatively small importance, or even to the removing of all the restrictions on the right to trade, but were to include a substantial restoration of the status quo ante, an optimistic prediction would be permissible only if one could posit the ultimate authority in Japan lying with the "big business" elements.

Many of my colleagues are disposed to attach a significance which I consider extravagant to the complaints privately and secretly expressed to them by enlightened Japanese businessmen. The members of this group, along with others who are well-to-do, are being hard pressed. They are required to continue to pay the wages of those of their employes who are with the colors, 30 per cent of the annual bonus of corporation executives - usually many times greater than their nominal salaries - are required to be paid in non-transferable

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transferable war bonds, and taxes are being increased; so that, along with growing international complications, the discontent and pessimism of this element are natural and understandable. The progress toward national socialism, however, has taken too definite form to warrant the assumption that the interests or the desires of the capitalist class, which forms a small part of the population, would constitute a controlling consideration in the event of an extreme economic emergency. It has previously been pointed out that a total cessation of trade with the United States and the British Empire would bring Japan's trade down to the average annual figure of total foreign trade during the period from 1916 to 1920. It would seem a bold assertion to contend that the adjustments which Japan would have to make to conform to the conditions prevailing twenty years ago would be so great that she would prefer to prejudice, if not abandon, her adventure in China.\*

I have presented these thoughts somewhat provisionally. The subject herein treated is receiving our continuous and careful attention, and, although the existence of intangible and unknown factors presents difficulties, I hope that I shall  
be

✓ | \* The effects on Japan's capacity to carry on hostilities of being deprived of certain raw materials have not been examined for the reason that, as Japan's stocks of most of these materials are unknown, any conclusions which might be reached would have to be conjectural.



5402

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be in a position before long to submit to the Department my considered views on this important subject. Yet even in this provisional presentation I feel that certain psychological factors deserve a place, namely, that the Japanese are a hardy race, innured to personal and national sacrifice; that they have been accustomed throughout their history to meeting catastrophe and disaster; that in them the "do or die" spirit is more deeply ingrained than in almost any other people; that every one of their foreign wars has been a gamble as is the present one and that their spirit is to see the gamble through whatever the results, if only because the loss of face involved in defeat (other and more important consequences of defeat have also to be considered), a factor the potency of which can only be fully appreciated by those who have lived long in the Orient, would outweigh the logical calculations expected among western nations. For Japan to admit defeat in the present hostilities after pouring out so much blood and treasure in China, even though that defeat were brought about by the economic sanctions of third parties, and to return even approximately to the status quo ante, is an hypothesis which we in this Embassy find it very difficult to entertain. To support if not to prove this thesis by quoting figures and statistics is simple enough, and it is on the basis of figures and statistics that my colleagues rest their opinions concerning the effectiveness of economic sanctions. I should add parenthetically that these colleagues had been confidently predicting for the past two years that the economic collapse of Japan was about to occur.

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I do not think that they give adequate weight to the psychological factors herein set forth, and these factors, in my opinion, should be given the fullest consideration before we allow ourselves to reach conclusions.

Respectfully yours,

✓  
Enclosure:

1. As stated above.

*Joseph C. Grew*

710.

Joseph C. Grew.

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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. 3591 of January 7 1939  
from the Embassy at Tokyo.

The British Ambassador, Sir Robert L. Craigie to  
the American Ambassador, Mr. Grew.

SECRET

British Embassy,  
Tokyo.

31st December 1938

My dear Grew,

As promised yesterday, I send you herewith  
Part II of the memorandum I handed you yesterday.  
Would you be so kind as to head the whole memorandum:  
"Possibilities of Economic Counter Measures" and mark  
the part already in your possession: "Part I - Merchandise  
trade"? Please also mark the whole memorandum "Secret".

In my view we have now reached a point at which  
it is no longer merely a question of protecting this or  
that vested or trade interest in China but of preventing,  
while there is yet time, the formation in East Asia of a  
political and economic entity which may have serious  
repercussions on the destiny of every Pacific Power. The  
ambitions of the elements which today are dominant in Japan  
will be limited by the degree of resistance which they  
encounter - and by nothing else.

I am sending this memorandum to my Government by  
an early safe opportunity and also telegraphing the text  
of the "Conclusions". I realise that you cannot possibly  
go into so complicated a question before the holidays, but  
you may like to let your Government know by your next pouch  
the recommendations I have made to His Majesty's Government -  
recommendations which incidentally, represent the considered

view

His Excellency  
The Honourable Joseph Clark Grew,  
Ambassador Extraordinary and Plenipotentiary  
for the United States of America  
at Tokyo.

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7711  
✓  
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By Milton O. Gustafson NARS, Date 12-18-75

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view of all the competent officials in this Embassy.

Believe me,

Yours very sincerely,

R. L. CRAIGIE.

SECRET

Part I - Possibilities of Economic Counter Measures.

At any time since she began to develop industrially and to build up an army and navy, Japan's progress in these directions could have been checked if foreign countries, and particularly the U.S.A. and the United Kingdom and British territories, had declined to buy what Japan offered for sale or to sell to her what she needed to buy; including, for many years, the important item of technical knowledge. Japan still depends on this exchange of trade with foreign countries for the mere maintenance of her industries and her armaments at their present capacities, and if, while maintaining these, she undertakes increased industrial development in Manchuria and in addition embarks on industrial development in China, which is the task she has set herself, she must increase her purchases of certain essential materials from abroad; e.g. mineral oil, ores and metals, cotton, wool, rubber, wood-pulp, heavy chemicals. For these materials are, as to some of them, not obtainable, and as to others obtainable in insufficient quantities, in the Japanese territories and in Manchuria and China. The principal sources of these materials are still the U.S.A. and the British Empire.

Japan has for sale to foreign countries (1) merchandise, (2) services (principally shipping), (3) gold. Her sales of all three, notwithstanding that she made large profits from merchandise trade and from shipping during the years of the Great War, did not provide sufficient funds to pay  
for .

-2-

for what she bought from abroad during the years of industrial and military and naval development previous to 1937. She had to obtain additional funds by borrowing money abroad, and between 1918 and 1932 she raised loans in the U.S.A. and the United Kingdom amounting to U.S. dollars 468 million and £52.3 million.

Since the beginning of 1937, and particularly since she embarked on her present adventure in China, Japan's difficulties in finding funds to pay for her necessary imports from abroad have greatly increased. She has not been able to borrow money abroad since 1932, a penalty for the adventure she began in Manchuria in 1931, and there is no likelihood of her being able to borrow abroad in the near future.

Her receipts from services have been much reduced since July 1937. Profits from shipping, amounting in a normal year only to from 140 to 180 million yen, have fallen to a small figure owing to the requisitioning of a large number of merchant vessels for military requirements. Receipts from tourist traffic also are much reduced. As long as hostilities continue in China, there can be no returns from these sources large enough to help to any appreciable extent in providing funds for necessary purchases abroad. She has no large interest-earning investments in foreign countries. On the contrary, she has to pay abroad a considerable sum annually for interest on her foreign loans. She can for the present obtain the large funds she needs abroad only by selling merchandise and selling gold.

In no

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In no year from 1918 to 1936 have her sales of merchandise, to all foreign countries, Manchuria and China included, provided sufficient funds to pay for her imports of merchandise alone. The position as regards her account in merchandise trade in 1937 and 1938 is as follows:

During 1937 Japan paid to countries other than Manchuria and North China, i.e. she paid in foreign currencies, for merchandise alone, apart from armament material, 3586 million yen, and received from her sales of merchandise in foreign currencies 2625 million yen. Her debit balance in foreign exchange for the year 1937 was thus 961 million yen. In the period January to November 1938, during which she greatly reduced her imports of non-essential materials in order to be able to pay for increasing imports of essential materials, she paid in foreign currencies, for merchandise alone, 2058 million yen and received from her sales of merchandise in foreign currencies 1636 million yen, so that her debit balance in foreign exchange was 422 million yen. The amounts paid for imports of armament material, i.e., direct government purchases of such material, are not ascertainable in Japan. They were probably considerable in 1937 and 1938, since Japan must maintain her stocks of war material in view of the risk of hostilities with Russia.

In 1937 Japan had to supply to Manchuria and North China, apart from armament material, merchandise exports exceeding by 325 million yen the value of the merchandise imports she received from these territories. For the period January to November 1938 the corresponding figure is 469 million yen. She has been finding it difficult to continue these exports,

which

-4-

which do not earn foreign exchange, and has been trying to reduce them. But if they are reduced, the development programmes envisaged for these territories will be retarded. There is also development in Central China to be considered. Japan's exports to Central China in 1937 exceeded her imports from Central China by 42 million yen. The corresponding figure for January - November 1938 is 77 million yen. If development is to proceed in Central China as proposed, this figure will have to be further increased. In course of time, if she can carry out her China programme, Japan may be able to increase imports, of a few kinds of materials, from Manchuria and China, but until then she must continue to have what is really a debit balance in her merchandise trade with these territories.

Japan is at present making strenuous efforts to increase her sales of merchandise to countries where they can earn foreign exchange, in order to reduce the heavy debit balances of 1937 and 1938 and in order to be able to continue her foreign purchases of essential materials. She has been trying to obtain some of these materials on credit terms, but without appreciable success, and there is no prospect at present of her being able to better this position. She is finding it difficult to increase her sales of merchandise to foreign countries, for various reasons, among others the fact that exports of merchandise to Manchuria and China must be continued.

Of the total exports of merchandise, from Japan Proper, to countries where these can earn foreign exchange, the percentages



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percentages taken by (1) the U.S.A. and her overseas territories, (2) the United Kingdom and the British Empire, and (3) France and her overseas territories, are as follows:-

(1) U.S.A. and overseas territories.

	<u>Year</u>	<u>%</u>
	1937	28.8
Jan.-Oct.	1938	28.8

(2) United Kingdom and British Empire.

	1937	36.2
Jan.-Oct.	1938	36.7

(3) France and overseas territories.

	1937	4.1
Jan.-Oct.	1938	4.6

The percentages taken by (1) and (2) together are:-

	1937	65 %
Jan.-Oct.	1938	65.5%

and by (1), (2) and (3) together they are:-

	1937	69.1%
Jan.-Oct.	1938	70.1%

The U.S.A. and the British Empire are therefore in a strong position to prevent Japan obtaining, from her sales of merchandise, the funds she needs to continue her imports of necessary materials; and her need for these materials is so vital in the present stage of her China adventure, that even a slight reduction of her merchandise sales would have serious effects.

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## Part II - Funds obtainable from gold sales:-

To offset the debit balances in foreign exchange of 961 million yen in 1937 and 422 million yen in January - November 1938, a total of 1383 million yen, and to pay for armament material imported, and interest on foreign loans, Japan exported to the U.S.A. gold to the value of 876 million yen in 1937 and 670 million yen in 1938, (to December 28th), a total of 1546 million yen.

Japan made no gold exports in 1928 and 1929, but made very large exports in 1930, 1931 and 1932, using for these the accumulated production of gold in the Japanese territories in 1928 and 1929, and the production in 1930, 1931, and 1932, less the gold used in industry, and the gold added to the currency reserve, in these five years. The Japanese Government borrowed £12-1/2 million and U.S. dollars 71 million in 1930, and the South Manchuria Railway, on the strength of a Government guarantee, borrowed £4 million in 1932. The Japanese Government would not have borrowed money abroad in these years at interest rates of 5% and 5-1/2% and at issue prices of 88 and 90 if it had been able to spare more gold for export, and it can be assumed that Japan had no gold reserves at the end of 1932, except the currency reserve, which was then valued at 428 million yen.

In 1933 gold was exported to the value of 21 million yen only, (representing approximately 7.875 million grammes at the then market price of pure gold in Tokyo), and there

were

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were no exports in 1934, 1935, or 1936. The accumulated production of these four years, together with the production of 1937 and 1938 on the estimates most favourable to Japan, (no accurate figures have been obtainable since July 1937), cannot have been more than 237 million grammes. It was not all exported, since in addition to the 7.875 million grammes exported in 1933, at least 30 million grammes went into industrial consumption between 1933 and 1937, and 15.75 million grammes were added to the currency reserve before the latter was revalued in August 1937. Some went into industrial production in 1938, but the quantity is not known. The quantity exported in 1937 and 1938 out of the total production of the six years 1933 to 1938 was therefore about 183 million grammes.

Most of the gold exported in 1937 and 1938 was exported after the revaluation of the gold reserves, at 290 milligrammes to the yen, in August 1937. Taking this valuation, Japan must have exported in 1937 and 1938, as the equivalent of 1546 million yen, 448.340 million grammes of gold. This exceeds the amount available for export from the production of the six years 1933 to 1938 by approximately 265 million grammes, and these 265 million grammes must have been taken from sources other than production.

The gold reserves of the Bank of Japan, the Bank of Korea, and the Bank of Formosa, just before these were revalued, were returned at 466.8 million yen. At the then valuation of 750 milligrammes to the yen they therefore amounted to approximately

-3-

350 million grammes of gold. So far as is known, Japan had at that date, August 1937, no other reserves of gold except gold in industrial use and in the form of luxury articles. According to a recent statement by a Japanese banker (Mr. Kashiwagi, of the Yokohama Specie Bank) neither the Army nor the Navy has a reserve of gold.

If the above 265 million grammes were taken from the currency reserves, the latter must have been reduced to 85 million grammes (293 million yen) by the end of 1938. They are officially returned at 501 million yen worth of gold in the Bank of Japan only, the Banks of Korea and Formosa now holding no gold, but Bank of Japan notes, as their reserves of issue. 501 million yen at the existing valuation of 290 milligrammes per yen represents 145,290,000 grammes of gold. It is possible that the difference between 145,290,000 grammes and 85 million grammes (60,290,000 grammes, equivalent to 208 million yen) has been made up as the result of the Government and press campaign to have the public sell, donate, or lend articles of gold or containing gold to the Bank of Japan. This campaign and the several measures taken by the Government to stimulate the production of gold and keep it under Government control are evidence of the Government's need for gold.

The above calculations are necessarily based, to a considerable extent, on estimates; but the estimates are very favourable to Japan, and it is difficult to see how Japan, unless she further reduces the quantity of gold held as her currency reserve, can dispose of any gold in 1939 other than the quantity that may be produced in the Japanese territories in that year. At a most favourable estimate to Japan this

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this cannot be more than 70 million grammes, which, if sold abroad, would realize, again at a favourable estimate of 145 shillings per ounce and an exchange rate of 1s.2d., approximately 280 million yen.

The Bank of Japan reserve was returned at 801 million yen on July 16th, 1938, and at 501 million yen on July 30th, and it was announced that gold to the value of 300 million yen, out of the gold then being exported, was being used to provide a special foreign exchange fund to facilitate imports of materials that could be made into manufactured goods and re-exported. The money, it was expected, would thus revolve and eventually earn a profit. According to commercial information the fund has not so far been made full use of, because merchants have found it difficult to comply with the Government regulations governing its use. Part of it may not yet have been converted into merchandise; but it is tied to the merchandise trade and, without damaging the latter, it cannot be restored to its former place as a part of Japan's gold reserves.

Meantime the paper currency circulating in Japan, Korea, and Formosa, the notes of the North China Federated Reserve Bank, and the notes used by the Japanese forces and merchants in China, for all of which the gold security is the nominal 501 million yen worth of gold in the Bank of Japan, are increasing in amount. The note issue of the Bank of Japan alone increased to 2806 million yen on December 30th, at which amount the gold security, if we admit that the Bank of Japan holds 501 million yen worth, was under 18 per cent. If the note issues of the Banks of Korea and Formosa and of the

Federated

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Federated Reserve Bank are taken into account, the security percentage was under 15 per cent.

The amount at issue by the Bank of Japan will probably decrease somewhat after the end of the year, but must increase again if the internal loan issues proposed for 1939, which are expected to aggregate about 6000 million yen, are carried out. Japan cannot further reduce her currency reserve without the risk of a loss of confidence in the stability of the currency.

In the circumstances it is obvious that, as in the case of her sales of merchandise abroad, any reduction of Japan's sales of gold abroad would have serious effects on her whole economy at the moment. Even if she is able to offer for sale abroad in 1939 gold of a greater value than 280 million yen, this will not assist her unless the gold, or its equivalent value, is accepted by those foreign countries that can supply the essential materials Japan requires.

#### Conclusions

(1) The currency reserve, which is given as 501 million yen worth of gold, is in fact probably well below that figure, since the balance remaining from the former gold reserve cannot be more than 208 million yen and it is doubtful whether Japanese Government could have secured as much as 293 million yen through the acquisition of gold articles already in Japan. So far as we know, there are no undisclosed gold reserves.

(2)

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(2) A part of the special foreign exchange fund of 300 million yen created last July may still be under Japanese control, but it is earmarked for the promotion of the merchandise trade and cannot be used for support of the currency.

(3) Taking together the note issues of the Banks of Japan, Korea and Formosa the gold cover for the currency is at the year-end under 15% and can hardly be further reduced without risking loss of confidence.

(4) The highest estimate of the gold that Japan can dispose of during 1939 from new production is, at present prices, 280 million yen.

(5) Unless Japan can further reduce her imports or increase her exports she must expect next year a debit trade balance of 400 million yen, against which she can only set 280 million yen worth of newly mined gold to balance her accounts. Japan could not impose further import restrictions of any magnitude without affecting vital raw materials, armament supplies and other necessities. (Above estimate of 400 million yen is based on figures of 422 million yen which is this year's debit balance at November 30th in merchandise trade producing foreign exchange).

(6) If in such circumstances there were to be imposed even a relatively small restriction on Japan's exports of merchandise or gold and if credits and loans were simultaneously to be withheld, Japan's economic situation would immediately

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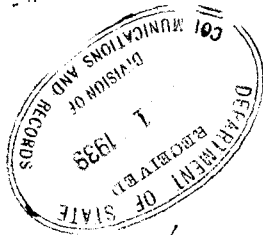
immediately become critical. If an embargo were to be placed on Japan's exports to the British Empire, U.S.A. and France (thus affecting 70% of her total foreign exchange producing trade), the effect would set in motion a process which must rapidly prove disastrous for Japan's economy. Such devices as Japan might resort to, in co-operation with her totalitarian associates, would be quite inadequate to stem the above process. Even a drop in the value of the currency would not extricate Japan from her difficulties.

(7) The simplest and most effective first step would appear to be for Great Britain, United States of America and France to refuse to purchase any further gold from Japan (assuming that arrangements could be made to prevent Japanese gold reaching those countries through third parties).

(Note: All Yen figures are at 14 pence).



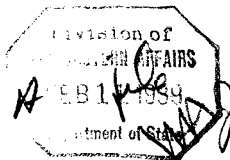
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DEPARTMENT OF STATE  
ADVISED ON POLITICAL RELATIONS

Assistant Secretary  
of State  
FEB 27 1939

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February 11, 1939.

Reference, Tokyo's No. 3591 of January 7, 1939,  
and current communications from Tokyo on the subject of  
possible economic pressures against Japan; and Mr.  
Ballantine's digest of despatch and comments thereon.

During the first forty years after Perry's "opening"  
of Japan, the world looked upon the Japanese as a  
comparatively amiable, artistic and art loving, and  
peaceful people who needed to be taught and could be  
patronized. In 1895, the Japanese defeated the Chinese  
in a "little" war. In 1905, the Japanese fought the  
Russians to a standstill in Manchuria in a war in which  
the Japanese gained a great reputation for bravery and  
military skill but which was brought to an end, prematurely,  
without a conclusive test of the "staying power" of either  
belligerent. Since 1905, that is, for more than forty  
years past, Japan has enjoyed the reputation of being a  
great power and the Japanese Army and Navy have been con-  
sidered tremendously formidable. ¶ The estimates of Japan,  
both earlier and later, have been out of perspective.

¶ Japan's character is not what it was thought before  
1895 to be. Japan's strength is not what it has been  
thought since 1905 to be.

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Over and over, since 1905, the world has, because of fear of Japan, acquiesced in aggressive predatory activities on Japan's part. Steadily, the self-confidence of the Japanese, thus encouraged, has grown greater; and the determination of the Japanese to make of their country not a great power but the greatest of powers has become more deep-seated.

Step by step, Japan has moved forward; and step by step other powers have yielded ground to her. Thus far the only people who have offered forceful resistance to Japanese aggression are the Chinese.

There are three methods by which, toward defending their rights and interests, nations whose rights and interests are invaded or menaced by other nations may offer resistance: by moral opposition (including all kinds of argumentation), by economic opposition, and/or by military opposition.

The United States and other countries have over a period of a number (many) of years been attempting to defend their rights and interests, vis-à-vis Japan, in China, by processes of moral opposition (only). In the case of the United States, this procedure has perhaps to

some

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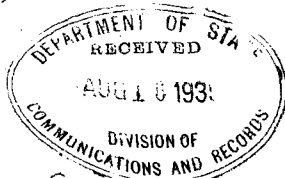
some extent retarded the destruction of our rights and interests by Japan, but it has not effectively safeguarded our rights and interests. Nor will it effectively do so.

This country might place in Japan's way economic opposition, but it does not choose to do so. To every proposal that it should do this, there is made the answer that the Japanese are a determined, a militant and a powerful people -- and that they might retaliate by an appeal to arms. ¶ Moral opposition not sufficing and economic opposition being not even tried, the prospect is that in the long run, barring unpredictable opposition to Japan by other countries, the situation will so develop that military opposition by this country will have to be offered.

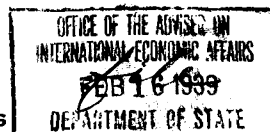
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Stanley K. Hornbeck

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



DEPARTMENT OF STATE  
ADVISER ON  
INTERNATIONAL ECONOMIC AFFAIRS



STRICTLY CONFIDENTIAL

Assistant Secretary  
of State

FEB 27 1939

MR. SAYRE

February 15, 1939.

F.W. 793.94/14671

Mr. Feis:

As you know, I am currently engaged in checking the various estimates of the gold reserves and exports of Japan and in the preparation of an estimate of other potential sources of foreign exchange such as Japanese-owned foreign currency securities. When these investigations are completed, I shall be in a better position to comment in detail on the British memorandum on this subject.

Even without this further information, however, I should like to submit the following brief comment on the remarks of the American Ambassador and the conclusions of the British memorandum.

I

In regard to the comments by the American Ambassador it would appear to me that he gravely underestimates the economic consequences to Japan of the sanctions suggested by the British Ambassador to Japan. I do not believe that the question can legitimately be reduced to: "Is

Japan

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Japan likely to make any concession to the United States and Great Britain which would prejudice the success of her China policy in order that her present standard of living be maintained?"

If the only consequence of sanctions should be a reduction in the existing standard of living, sanctions would be ineffective as a counter measure against Japan. If, however, sanctions might shake the Japanese economy from top to bottom and gravely impair the ability of Japan to obtain the abundant materiel which has so largely contributed to her military success in China, the threat of sanctions might be far more effective than envisaged by the American Ambassador. While I am not prepared to assert positively the degree to which economic sanctions would have these graver effects, I believe that far more than a mere reduction in the standard of living would be involved, particularly during the crucial transitional years.

The American Ambassador also stresses the fact that even if sanctions eliminated the present Japanese foreign trade with the United States, the British Empire and France, the remaining foreign trade (including trade with yen-bloc countries) would be equivalent in yen value to the average annual figure of total foreign trade during the period from 1916 to 1920.

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The statistical inaccuracies inherent in comparing a given yen value of trade in 1938 with an equivalent yen value of trade in 1920 are obvious in view of the important changes in the value of the yen, other currencies and gold since 1920. Even ignoring this, however, it seems to me that such a comparison leads to a grave under-emphasis of the probable effect of sanctions on Japan. It completely ignores the great strides in industrialization that Japan has made since the World War. For example, I note that the horse power of prime movers in Japanese manufacturing industries and central plants amounted to 1.5 million in 1920 as against 6.2 million in 1935. As Japan has become increasingly industrialized she has become increasingly dependent upon imports of certain industrial raw materials and primary products. Since she cannot obtain many of these from China and Manchuria, particularly at the present time, it would seem that if she suddenly became unable to obtain imports from the United States and the British Empire, her industry would receive a serious shock. In a comparatively short time I believe that her industrial and perhaps more tardily her military efficiency would be impaired. It would certainly be no easy task to force the relatively more industrialized Japanese economy of today

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today into the simpler economic mold of 1920.

I do not wish the foregoing criticism of the economic analysis of the American Ambassador to be interpreted as an argument in favor of imposing sanctions on Japan. I believe, however, that whatever the decision on this matter may be, it should not be based on an under-estimation of the probable economic consequences of sanctions.

## II

In regard to the conclusions stated on pages 5 to 7 of Part II of the British memorandum, I would like to make the following comments, which are numbered to correspond with the numbers of the conclusions in the British memorandum.

1. Tentative estimates indicate that the reserve of the Bank of Japan of 501 million gold yen has not yet been impaired. In addition, Japan has approximately 132 million gold yen of gold under earmark in the United States, which probably constitutes the remainder of the 300 million yen exchange revolving fund except for a very small amount, not in excess of 17 million yen, which may still be held in Japan.

2. I do not agree that since the remainder of the exchange revolving fund has been earmarked for trade promotion it cannot be used to support the currency. To  
the

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the extent that the fund has been used, it has increased the supply of foreign exchange available to Japan and has thus indirectly been of material support to the yen.

3. I do not see why Japan could not dispense with a gold reserve altogether. If Germany could practically do so, even after its people had experienced hyper-inflation, I should think it could be done in Japan. In other words, I do not believe that the fact that the present reserve ratio of Japan is 15 to 18 percent will prevent a further reduction in gold cover in order to obtain essential imports. On the other hand, it is possible that the Japanese may wish to keep a certain minimum war chest of gold against the eventuality of conflict with Russia.

5. I believe this overstates the exhaustion of Japanese gold reserves. Even if Japan loses as much gold during 1939 as she did during 1938, it would not exhaust her reserves and she could probably still carry on until the middle of 1940.

6. Even if the remaining Japanese gold reserves are considerably in excess of the British estimate, Japan would, of course, be severely injured if the United States, Great Britain and France refused to buy Japanese goods and Japanese gold. Unless these three countries could prevent  
unknowingly



-6-

unknowingly buying Japanese gold, however, the full effect of the sanctions would be delayed. My only disagreement with the British conclusion would be on the length of time that would elapse before the Japanese economic situation became critical, particularly should there not be a successful embargo on gold exports from Japan.

7. I am dubious of the conclusion that "the simplest and most effective first step would appear to be for Great Britain, United States of America and France to refuse to purchase any further gold from Japan . . ." Since the United States holds so much of the world's gold, it would not be to its interest to take action which would make it less desirable for other nations to hold gold as an emergency reserve.

Hence I do not believe that an embargo on gold exports from Japan should be undertaken unless extremely drastic measures are contemplated, and the embargo on gold is undertaken simultaneously with an embargo on exports of goods from Japan. Before such drastic action as this is undertaken, it would appear to me more logical to try less extreme measures such as denunciation of our existing commercial treaty with Japan, or amendment of our tariff laws to provide for discrimination against countries

which

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-

which are bringing about in third countries discrimination against United States trade.

*Transmitted as factual comment*

*H.F*

*GL*  
EA:LUTHRINGER:EB

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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



FIN 793.94/14671

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

February 15, 1939

Reference Tokyo's 3591, the subject of which is "Economic Reprisal Against Japan".

In his comments upon the British Ambassador's memorandum Ambassador Grew on page four reduces the question to "its elements" and comments as follows: "Is Japan likely to make any concession to the United States and Great Britain which would prejudice the success of her China policy in order that her present standard of living might be maintained? An affirmative answer to that question would entail writing off the capacity of the Japanese people to discipline themselves and to make sacrifices and laying emphasis on the supposed attachment of these people to a standard of living higher than that which their indigenous mode of living requires. And it must be remembered, in connection with the question of the effect on the standard of living of the loss of Japan's trade with the United States and Great Britain, that the remainder of her trade with countries outside the yen bloc, added to her trade with North and Central China and Manchuria, amounted in 1938 to a figure in yen equal to her total average foreign trade for the five years 1916 to 1920."

In my opinion both parts of Ambassador Grew's comment are thoroughly misleading. The Japanese may very well be able to sacrifice their standard of living and to discipline themselves but cutting off 70 percent of

Japan's the Department. I believe, however, that the Department can produce more accurate information on Japan's gold supplies than appears in

FE Jones:JPS

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Confidential File

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FEB 17 1939

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-

Japan's foreign trade, both imports and exports, would bring chaos to Japan's economy and soon reduce drastically the effectiveness of her military forces. It seems to me that it is not a question of forcing the Japanese people to reduce their standard of living but actually of throwing the entire Japanese economy and military machine out of gear by starving them of materials. Ambassador Grew implies that in any case the cutting off of trade with the United States and Great Britain would not be so bad because it would cause the reversion of the Japanese standard of living only to the level of the years 1916 to 1920. This argument, in my opinion, is specious. Since 1920 the population of Japan has increased by about 25,000,000 people and Japan has undergone an industrial revolution. The Japanese economy and the military machine which it supports are infinitely more dependent upon foreign trade in 1939 than they were in 1920. Cutting off trade suddenly is therefore not a simple matter of reducing the standard of living: it would mean rather the abrupt cessation of Japan's major industries, vast unemployment and interruption of the flow of military and reconstruction supplies to China.

I have examined Sir Robert Craigle's memorandum and in general I believe the information conforms to that already available to the Department. I believe, however, that the Department can produce more accurate information on Japan's gold supplies than appears in

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



DIVISION OF FAR EASTERN AFFAIRS

-3-

the memorandum.

It is noted that the British memorandum raises the question of refusing to buy Japanese gold. Even if measures could be devised to identify Japanese gold and prevent its movement, I do not believe that the Treasury would ever agree, nor do I believe that it would be in the best interests of this country to do so, to take any step which would reduce the effectiveness of gold as an emergency war fund inasmuch as this country holds over half the world's gold supply and gold has lost most of its use except as an emergency war fund.

FE Jones:JPS

1939

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

February 17, 1939.

STRICTLY CONFIDENTIAL

Dear Mr. Grew:

Referring to your strictly confidential despatch  
 No. 3591 of January 7, 1939, on the subject "Economic  
 Reprisal against Japan", I am sure that you will be  
 interested in certain factual comment made by an officer  
 of the Office of the Adviser on International Economic  
 Affairs in a memorandum prepared under date February 15.  
 I therefore enclose a copy of that memorandum. Inasmuch  
 as the statements contained in the memorandum represent  
 preliminary observations based on a study which has not  
 as yet been completed, it is requested that the memoran-  
 dum be made available by you only to Mr. Dooman and that  
 the statements contained therein be not communicated to  
 anyone else.

Sincerely yours,

Enclosure.

The Honorable

Joseph C. Grew,  
 American Ambassador,  
 Tokyo.

FE:MMH:EJL

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793.94/14671

Confidential File

780

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



February 18 1939

THE WHITE HOUSE  
WASHINGTON

RECEIVED  
DEPARTMENT OF STATE

February 4, 1939.

1939 FEB 6 AM 11  
MEMORANDUM FOR

DIVISION OF THE STATE DEPARTMENT  
COMMUNICATIONS  
AND RECORDS

FOR PREPARATION OF THE  
PROPER REPLIES.

F. D. R.

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793.94/14672

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

Copy:REK

DEPARTMENT OF STATE  
 Washington

January 30, 1939.

My dear Mr. President:

With reference to our conversation on the evening of January 22, I am enclosing herewith letters addressed to you and given to me the day of my departure from Chungking. The letters consist of one letter addressed to you in Chinese, with English translation attached, by Generalissimo Chiang Kai-shek, and a letter in English addressed to you by Dr. H. H. Kung, President of the Executive Yuan and Minister of Finance. There is also attached a photograph of the Generalissimo which the latter desired that I convey to you. The Chinese inscription on the face of the photograph is to the effect that Chiang Chung Cheng (the Generalissimo's familiar name) presents this photograph to President Roosevelt. It is dated December 11, 1938, or the 27th year of the Chinese Republic. I consider the photograph an excellent one of the Generalissimo as I saw him last.

Faithfully yours,

(Signed) NELSON TRUSLER JOHNSON

Enclosures.

The President,

The White House.



7804

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

COPY:REK

Headquarters of the Generalissimo

(TRANSLATION)

Chungking,  
December 11, 1938.

Dear President Roosevelt:

The Chinese Ambassador at Washington has transmitted to me your kind message of November 10 in reply to my telegraphic message of October 15. I have read your words with great pleasure and interest. I have since thoroughly discussed the situation in the Far East with Mr. Nelson Trusler Johnson, American Ambassador to China, and entrusted him to present my views to you in person when he arrives in Washington. I have also requested him to bring you a copy of my picture as a token of my admiration of your great ability and statesmanship.

With kindest regards,

Sincerely yours,

(Signed) CHIANG KAI-SHEK

His Excellency  
Mr. Franklin D. Roosevelt,  
President of the United States,  
Washington, U. S. A.

7 8 0 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

COPY:REK

The Executive Yuan

Chungking, China.  
December 11, 1938.

PERSONAL

Dear Mr. President:

On the eve of Ambassador Johnson's departure for Washington, I take great pleasure in sending this message of remembrance and greetings to you, sincerely hoping that it will find you in the best of health and cheer.

The spirit of the Season brings to me renewed appreciation and pleasant recollections of the delightful visits I had with you last year as well as the kind reception which you were good enough to extend to me during my visit in your country. I wish to assure you that I remember them and am grateful to you for them.

I take this opportunity to reassure you of the deep appreciation which the Chinese Government and people feel for the sympathy and moral support which your Government and people have abundantly shown to us in our struggle for the rights of freedom and independence as well as for the cause of peace and justice. Though born of the people's inborn hostility against aggression, our national resistance against the invader receives much encouragement from such unfailing friendship as America has shown us under your illustrious leadership.

No one is better qualified than Ambassador Johnson to present you full and authentic information concerning

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 -

the effects of Japan's aggression on American interests in China as well as the determination with which China is pursuing its campaign of resistance and reconstruction. It is my sincere hope that the progress of events in the Pacific will find our two Republics standing shoulder to shoulder and cooperating to the fullest possible extent in upholding and safeguarding those ideals and interests which we so dearly cherish in common.

Allow me to extend to you and Mrs. Roosevelt my best wishes for a very Merry Christmas and Happy New Year.

I remain, Mr. President,

Sincerely yours,

(Signed) H. H. KUNG

H. H. KUNG.

President Franklin D. Roosevelt  
President of the United States of America  
The White House  
Washington, D. C.  
U. S. A.

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

February 13 1939

793.94/14672

My dear Mr. President:

793.94/14672

In response to your memorandum of February 4 there are enclosed for your consideration a draft of a letter to His Excellency General Chiang Kai-shek, Chairman, National Defense Council, in reply to his letter of December 11, 1938, and a draft of a letter to His Excellency Dr. H. H. Kung, President of the Executive Yuan of the Chinese Government, in reply to his letter of the same date.

If you approve of these draft letters, I would suggest that upon signature they be returned to this Department for forwarding to General Chiang and to Dr. H. H. Kung through our Embassy in Chungking. The letters from General Chiang and from Dr. H. H. Kung, together with Ambassador Johnson's letter transmitting those letters to you, are returned herewith.

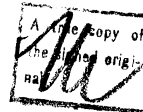
Faithfully yours,

Sumner Welles

(For enclosures,  
see following page.)

The President,

The White House.



793.94/14672

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

-2-

Enclosures:

1. Draft of letter to General Chiang Kai-shek.
2. Draft of letter to Dr. H. H. Kung.
3. From General Chiang to the President, December 11, 1938, returned.
4. From Dr. H. H. Kung to the President, December 11, 1938, returned.
5. From Mr. Nelson T. Johnson to the President, January 30, 1939, returned.

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

My dear General Chiang:

I have received, through the courtesy of Ambassador Johnson, your kind letter of December 11, 1938, together with your photograph. I appreciate very much the sentiments expressed in your letter and I am pleased to have the photograph which Ambassador Johnson informs me is an excellent likeness.

In my conversations with Ambassador Johnson I have been very glad to hear of you and to obtain from him an expression of your views.

With kind personal regards, I am

Very sincerely yours,

His Excellency  
General Chiang Kai-shek,  
Chairman, National Defense Council,  
Chungking, China.

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2-9-39

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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

My dear Dr. Kung:

I have received, through the courtesy of Ambassador Johnson, your letter of December 11, 1958, conveying your kind message of remembrance and greetings. Your reference to your visit in America has been read appreciatively and your sentiments in regard to our meetings at that time are reciprocated.

I have read with sympathetic interest your statements in regard to the attitude and purpose of the Chinese Government and people, and assure you that the situation in China is continuing to receive my close and solicitous consideration.

With kind personal regards, I am

Very sincerely yours,

Dr. H. H. Kung,  
 President, Executive Yuan,  
 Chungking, China.

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M.M.H.

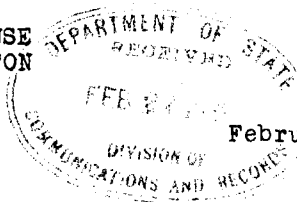
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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

COPY:LAW:PR

THE WHITE HOUSE  
WASHINGTON



February 14, 1939

*Original letters to Chungking for delivery 2/21/39*  
*File*  
*DBE-Law*

My dear Dr. Kung:

I have received, through the courtesy of Ambassador Johnson, your letter of December 11, 1938, conveying your kind message of remembrance and greetings. Your reference to your visit in America has been read appreciatively and your sentiments in regard to our meetings at that time are reciprocated.

I have read with sympathetic interest your statements in regard to the attitude and purpose of the Chinese Government and people, and assure you that the situation in China is continuing to receive my close and solicitous consideration.

With kind personal regards, I am

Very sincerely yours,

FRANKLIN D. ROOSEVELT

Dr. H. H. Kung,  
President, Executive Yuan,  
Chungking, China.

RECEIVED  
FEB 21 1939



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

COPY:LAW:PR

THE WHITE HOUSE  
WASHINGTON

February 14, 1939

*File Jan*

My dear General Chiang:

I have received, through the courtesy of Ambassador Johnson, your kind letter of December 11, 1938, together with your photograph. I appreciate very much the sentiments expressed in your letter and I am pleased to have the photograph which Ambassador Johnson informs me is an excellent likeness.

In my conversations with Ambassador Johnson I have been very glad to hear of you and to obtain from him an expression of your views.

With kind personal regards, I am

Very sincerely yours,

FRANKLIN D. ROOSEVELT

His Excellency  
General Chiang Kai-shek,  
Chairman, National Defense Council,  
Chungking, China.

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

February 27 1939

No. 153

Willys R. Peck, Esquire,  
American Chargé d'Affaires ad interim,  
Chungking.

Sir:

There are enclosed herewith two letters addressed  
by the President to General Chiang Kai-shek and to Dr.  
H. H. Kung, in reply to communications which were delivered  
to the President by Ambassador Johnson.

It is requested that you transmit the President's  
replies to General Chiang and to Dr. Kung by whatever means  
may seem appropriate.

Very truly yours,

For the Secretary of State

R. WALTON MOORE

Enclosures:  
Two letters from the  
President, with copies.

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793.94/14672



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

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Cancelled on Passport Book

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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 CONTROLS

MEMORANDUM

February 1, 1939.

RECEIVED  
DEPARTMENT OF STATE  
1939 FEB 3 AM 9:41  
DIVISION OF  
IMMIGRATION  
AND RECORDS



Mr. Hamilton Fish, Representative in Congress from the 26th District of New York, called me by telephone this afternoon. He said that he had just received a telegram from a very important person informing him that Sir Victor Sassoon of Shanghai, accompanied by Mr. Keith Trevor, Sir Victor's agent in Paris, was about to arrive in New York on the SS NORMANDIE, and that the purpose of their mission in this country was to carry on propaganda with a view to involving the United States on the side of the Chinese in the conflict now proceeding in China. He said that he was replying to the telegram, stating that he was taking the matter up with the Department of State and with the Labor Department. He spoke at some length of his objection to having foreigners come to this country to tell us what we ought to do, and he asked that Sir Victor and Mr. Trevor be informed as soon as they landed in this country of the provisions of the Act requiring the registration of agents of foreign principals.

I explained briefly to Mr. Fish the provisions of the Act, which he apparently erroneously understands require the registration of any foreigner carrying on any propaganda in

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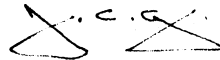
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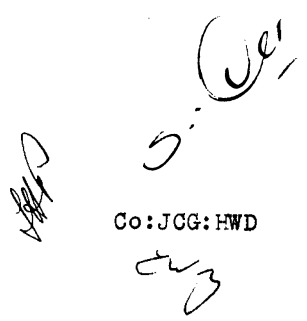
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Department of State letter, August 10, 1972  
By Milton O. Gustafson NARS, Date 12-18-75

-2-

in this country. I said that I would look into the matter,  
but I refrained from making any statement as to just what  
action the Department would take in this case.



Joseph C. Green

  
Co:JGG:HWD

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

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MISSION SOCIETY

OFFICE OF THE TREASURER

150 FIFTH AVENUE, NEW YORK CITY

1644 Greenleaf Ave.,  
Chicago, Ill.,  
Feb. 6, 1939.

February 14 1939

ack'd

Honorable Cordell Hull,  
Secretary of State,  
Washington, D.C.

793.94

Division of  
FAR EASTERN AFFAIRS  
FEB 8 - 1939  
Department of State

My dear Secretary Hull:

I am enclosing some documents that I received from the leading  
gentry in the city of Chengtu, Szechuan, some time ago.

I hesitated to forward these to you, but events that have come  
to my notice recently impel me to write and express my appreciation  
of your attitude and labors in behalf of the suffering millions of  
the Chinese people, not alone from invasion, but bombing of defense-  
less cities from which people have fled in terror. When in New York  
recently I was informed that a junk dealer had purchased a Sixth Ave-  
nue Railway for \$80,000. Since he was from the Pacific coast, I assumed  
that it had been purchased for shipment to Japan, and remarked to a  
friend, "I shall not be surprised if I next see the Sixth Avenue 'L'  
in Japan and perhaps I may get a splinter of it, on my return to Cheng-  
tu, dropped from American planes." Thanks to your efforts that danger  
will decrease, progressively, from now forward.

I am sailing for China on the Matson Line, S.S. Lurline, February  
17th, Los Angeles; and from Honolulu on the Empress of Japan, February  
24th, expecting to enter West China via French Indo-China. I am sure  
that I shall be in much better countenance with the people, for whom  
I have served in China the past forty years, because I can publish to  
them your gracious actions on their behalf.

Respectfully yours,

Joseph Beech  
Joseph Beech

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and  
1644 Greenleaf Ave.  
Chicago, Ill.  
Feb. 6, 1939

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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

Chengtu, West China, July 30, 1938

Dear Dr. Beech

We have heard of your activities in connection with the "China Week" or other endeavors on behalf of China's suffering masses, some of you in raising funds for relief of wounded soldiers and of the millions of refugees from the war areas, and others in forwarding medical supplies and workers for plague prevention. This is indeed a token of the ties that bind humanity -- especially all those with Christian aspirations for the cause of brotherhood and democracy -- in a common fellowship for the amelioration of prejudice and the evils of perverted nationalism.

We extend our most heartfelt thanks for the sympathetic interest you have manifested in China's cause and trust that you with us will continue to fight for righteous principles in national life. Will you put us still further in your debt by abstaining from purchasing goods from Japan or supplying that country with material essential for the conduct of her war with China? By this co-operation you will contribute your share to the ultimate redemption of this land from the military and economic bondage contemplated by the war clique of Japan.

China wishes to cast in her lot with those who stand for democracy. Your help may be a factor in turning the scales in favor of a better world, one in which aggression will be frowned upon and tolerance and charity in vogue. We hereby assert our desire for oneness with every endeavor to break down racial barriers and to join in the great comity of nations that ultimately must take responsibility for the preservation of world civilization.

Signed on behalf of the gentry of Szechwan Province, West China.

Chao Sao Jung; S. C. Lian; Wang Sei Han;  
 Pei Tien Hsia; Hsu Hsiao Jung; S. D. Lin; T. P. Fong  
 D. L. Lee; T. H. Chang; Wei Kuei Loan; T. H. Ho;  
 Long Su yan; Jen Hui Lee; S. Y. Teng; Z. F. Chang; D. L. Lee  
 D. L. Huang; D. L. Gao; H. H. Hsu; T. H. Long Loh

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

## OPEN LETTER TO ALL FRIENDS OF CHINA

FROM THE GENTRY OF SZECHWAN PROVINCE.

We—representing 70,000,000 Szechuanese—appeal to the sympathetic and justice-loving nations of the world for practical support so that Japanese oppression may not attain its aim: the destruction of civilisation and attainment of world power.

Our Government realized from the outbreak of hostilities that Japanese ambition was not only endangering our country but was also destructive of world peace. Therefore our determination is to encourage our fellow-patriots to resist to the end, regardless of cost, and we are fortunate that the nations of the world recognize our purpose.

It has been acknowledged in addresses by Madame Roosevelt, by the Archbishop of Canterbury, by Dr. Nathaniel Peffer and by Premier Blum that we are fighting for an issue that is nothing less than world peace, and that it is the duty of all peace-loving nations to help China. Such statements as these cannot but evoke our gratitude and stir us to still greater effort.

But we are impelled to go into greater detail. Japanese militarism is cruel and unscrupulous; they will regard neither justice nor humanitarianism in the endeavour to attain their object—first, supremacy in Asia; next, in the world. Wherever their troops go civilians are killed and women are raped. Canton—a city without anti-aircraft equipment—has been repeatedly bombed and great numbers of our people have been killed or injured. Moreover, the Japanese destroyed the Yellow River dykes, thereby flooding Honan, Shantung and Anhwei, and causing great loss of life. Many colleges and institutions of higher learning have been ruthlessly destroyed. Vast quantities of opium are being bought from Persia and under Japanese protection forced on the Chinese people, serving the double purpose of destroying Chinese morale on the one hand, and on the other, serving as a source of income in lieu of war indemnities that the Japanese know cannot be collected in any other way. In all her doings Japan makes it very evident that she is not only the enemy of China, but of the human race.

The Chinese people are now completely under the leadership of Generalissimo Chiang—one and all determined from the vanguard to the rearguard on resistance to the foe,—even to death. To those sympathetic nations, who amid all the international confusion of interests have upheld righteousness and justice by material gifts to us, we can only offer our deepest thanks. We recall international events of the past few years, and see them as steps by which the present invasion has come about. The Japanese occupation of our four North-Eastern provinces was a direct step towards the later occupation of Abyssinia by Italy; in the same way Germany broke the Locarno Peace Treaty and sent troops to occupy the Saar. Next came the Lukuchiao incident, and this year Germany has forced Austria under German control. These events have all been tolerated by peace-loving nations in the effort to avoid war. But, as the Chinese sage says, "A spark may fire a whole plain". This Japanese invasion of China may well cause a fire that will extend over the world. For this reason we cannot but appeal to all the sympathetic nations of the world to tolerate such outrages no more, but to adopt drastic measures to exterminate this dangerous fire in Eastern Asia. May the full force of the League of Nations be brought to bear on Japan, so that world peace and civilization may not be ruined by Japan. This is to secure not only the good of China, but of the entire world.

Signed by

D. K. Chow;	Su Djao Kwei;	Tang Dzong Yao
Hsu Hsiao Gang;	S. C. Liao;	Lo Chuen Si;
Pen Lan Tsen;	Pei Tieh Hsia;	Tsai Lan Djai;
Wang Bei Han;	Ho Bei Djong;	Feng I Pei;
Liu Din Djwin;	Pen Dji Hsien;	Chen Dzi Iu;
Hwang Ruen U;	Su Djiao Hsiang;	Djao Hsi Hsiang;
Li Ren Fu;	Hsu Hsiao Hwei;	Hsiao Bei Hao;
	Gao Dzi Tsai.	

P. S.—Please circulate this letter amongst your friends.



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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

## LETTRE OUVERTE des NOTABLES de la PROVINCE

du SE-TCHOUAN  
à tous les AMIS de la CHINE.

Nous soussignés, représentant 70.000.000. de SE-TCHOUANAIS, en appelons à toutes les Nations, qui ont pour nous de la sympathie et qui aiment la justice, pour obtenir d'elles un appui pratique, afin que l'oppression japonaise ne puisse pas atteindre son but de destruction de la civilisation, ni réaliser son désir de domination sur le monde entier.

Depuis le commencement des hostilités, notre Gouvernement s'est rendu compte que l'ambition des Japonais ne mettait pas seulement en danger notre pays, mais qu'elle tendait également à détruire la paix mondiale. C'est pourquoi nous sommes déterminés à encourager nos compatriotes à lutter jusqu'à la fin, sans considération pour les sacrifices nécessaires, et nous nous estimerons heureux si toutes les nations reconnaissent la légitimité de nos intentions.

Madame ROOSEVELT, l'Archevêque de Canterbury, le Docteur NATHANIEL PEFFER et le premier ministre français Monsieur BLUM, dans leurs déclarations, ont admis que nous nous battons pour une fin, qui n'est autre que la paix du monde, et, que tous les pays, amis de la paix, doivent aider la Chine. De telles attestations ont fait naître en nous la plus vive gratitude et nous poussent à faire encore de plus grands efforts.

Mais nous sommes obligés de donner de plus amples détails. Le militarisme japonais est cruel et sans scrupules. Il n'aura aucune considération pour la justice ou pour l'humanité tant qu'il n'aura pas atteint son but, qui est d'établir sa suprématie, d'abord sur l'Asie, et ensuite sur le monde entier. Partout où ses soldats arrivent, les civils sont tués et les femmes sont violées. Canton, ville ouverte et ne possédant aucun armement anti-aérien, a été bombardée à maintes reprises et un très grand nombre de nos concitoyens y ont été tués ou blessés. De plus, les Japonais ont fait sauter les digues du fleuve Jaune et ont ainsi inondé les provinces du HONAN du CHANTONG et du ANHWEI, causant d'innombrables pertes de vies humaines. Enfin un nombre incalculable de collèves et d'établissements d'enseignement supérieur ont été détruits par eux.

D'immenses quantités d'opium ont été achetées en PERSE et imposées au peuple chinois par force avec la protection des Japonais. En agissant ainsi, nos ennemis se proposaient un double but. D'abord ils voulaient affaiblir la moralité chinoise; ils voulaient, en second lieu, se procurer une sorte d'indemnité de guerre, sachant bien qu'il ne leur sera jamais possible d'en obtenir une autre. Par tous leurs actes les Japonais montrent, avec une indiscutable évidence, qu'ils sont non seulement les ennemis de la Chine mais également ceux de toute la race humaine.

Le peuple chinois est maintenant complètement uni sous la direction du Généralissime CHIANG. Tous jusqu'au dernier, nous offrons nos meilleurs remerciements aux sympathiques nations qui, malgré la confusion des intérêts internationaux, ont soutenu la droiture et la justice en nous accordant d'importants bienfaits.

Si nous évoquons les événements mondiaux de ces dernières années, nous ne pouvons nous empêcher de les considérer comme des étapes qui ont amené la présente invasion. L'occupation par les Japonais de nos quatre provinces du Nord-Est a été comme un point de départ qui a préparé la récente conquête de l'Abyssinie par les Italiens. L'Allemagne, de son côté, a rompu le traité de Locarno et a envoyé ses troupes dans le territoire de la Sarre. Vint ensuite l'incident de LUKUKIAO, et, cette année, par un coup de force, l'Allemagne a absorbé l'Autriche. Toutes ces choses ont été tolérées par les nations pacifiques dans leurs efforts pour éviter la guerre. Un grand Sage chinois a dit: "Une étincelle peut enflammer toute une plaine". Cette invasion de la Chine par les Japonais pourrait bien causer un incendie qui s'étendra au monde entier.

Pour ces raisons il nous est impossible de ne pas adresser un pressant appel aux nations, qui nous sont sympathiques, pour les prier de ne plus être aussi tolérantes et d'adopter des mesures énergiques afin d'éteindre ce dangereux incendie de l'Extrême-Orient. Que toute la force de la Société des Nations soit dirigée contre le Japon pour l'empêcher d'anéantir la paix mondiale et la civilisation. Ce faisant, on assurera non seulement le bien être de la Chine mais celui du monde entier.

Ont signé :

Chow Dao Gang;	Su Djao Kwei;	Tang Dzung Yao;
Hsu Hsiao Gang;	S. C. Liao;	Lo Chuen Si;
Pen Lan Tsen;	Pei Tieh Hsia;	Tsai Lan Djai;
Wang Bei Han;	Ho Bei Djong;	Feng I Pei;
Liu Din Djwin;	Pen Dji Hsien;	Chen Dzi Iu;
Hwang Ruen U;	Su Djiao Hsiang;	Djao Hsi Hsiang;
Li Ren Fu;	Hsu Hsiao Hwei;	Hsiao Bei Hao;
Gao Dzi Tsai.		

Prière de communiquer cette lettre à tous vos amis.

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

February 14 1939

In reply refer to  
 FE 793.94/14675 -

My dear Dr. Beech:

The receipt is acknowledged of your letter of February 6, 1938, with its enclosures, in regard to matters relating to the situation in the Far East.

The contents of your letter and its enclosures have been noted with care, and your courtesy in bringing to the Department's attention the letters from the gentry of Szechuan Province is very much appreciated. The sealed envelope addressed to the Honorable Nelson T. Johnson, which was enclosed with your letter under acknowledgment, has been handed to Mr. Johnson.

Sincerely yours,

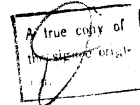
For the Secretary of State:

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

The Reverend  
 Joseph Beech, D.D.,  
 1644 Greenleaf Avenue,  
 Chicago, Illinois.

*29.C.*  
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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

Division of  
FAR EASTERN AFFAIRS  
JAN 31 - 1939

FE

Greenville S.C. Jan 30th. 1939.

Hon. Stanley E. Hornbeck,  
Chief, Division Far Eastern Affairs,  
Washington D. C. 1939

EXCISE ON POLITICAL RELATIONS  
MR. HORNBECK  
JAN 31 1939  
DEPARTMENT OF STATE

Feb 3 1939  
14/4

Dear Mr. Hornbeck,

I am enclosing a copy of a second letter I wrote to Mr. Walter Lippmann. My first letter had to do with the evidence as to the relations between China and Manchuria, and the misconception on which the popular notion of it is based. That part of it I had already discussed with you. Mr. Lippmann's article - "Foreign Policy in the Making", with his suggestion of a national naval policy which seems so sound, offered opportunity of calling definite attention to the fact that a different attitude on the part of our Government would have resulted in avoiding the huge naval expenditures which a mistaken anti-Japanese sentiment is entailing.

My opinion is that it is not too late now to remedy that error. If our authorities could be convinced of the extent to which they have been misled by Chinese propaganda, it would be possible to approach the Japanese with a proposal of cooperation for stabilizing the Far East which could have very far reaching benefits. I have been unable to discover any serious reason, or even a fairly reasonable reason for doubting that Japan would be faithful to such an agreement. Japan has much to gain in that respect, and I am sure she would not be slow to realize it. Most assuredly there would be enormous gain to us, economically, commercially and politically.

I am still hoping for an opportunity to come to Washington.

Yours respectfully,  
*J. J. Hughes*

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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. Chuska NARS, Date 12-18-75

Greenville S. C., Jan. 30th. 1939.

Mr. Walter Lippmann,  
 Herald-Tribune, 230 W 41 st. St.,  
 New York N. Y.

Dear Mr. Lippmann,

I had not intended writing to you again unless I heard from you favorably, but your comments on - "FOREIGN POLICY IN THE MAKING", present an opportunity which I find it too difficult to neglect. Your reference to Mr. Stimson's inconsistencies bring to mind vividly his glaring failure to take the wise course with reference to the recognition of Manchukuo. Its failure is accentuated by your statement of a foreign policy as - "to insist that the strategic points of control in the Pacific and the Atlantic are either in our hands or in the hands of friendly powers that we can trust." If Mr. Stimson had taken the trouble to examine the case of Manchukuo, and treat it in the light of the events and forces which made its restoration to its hereditary rulers logical as well as necessary, we should have been put in the way of having such a power as you visualize in the Far East - namely Japan,

Unfortunately China had already succeeded in creating a barrage of anti-Japanese sentiment in America which Mr. Stimson had not the ability, or apparently the wish to penetrate. On the basis of their insane jealousy of Japan, the Chinese played on American fears of being shut out of Eastern Markets by Japanese industrial successes, and pointed to the closing of the "open door" in Manchuria as an indication of Japan's purpose to exclude all trade from that quarter except her own. The Chinese adroitly caused Mr. Stimson to overlook the fact that the "Open door" was an inti-

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mate part of the hated extraterritorial<sup>a</sup> status in which China is ~~st~~ still held by the Western partners in the Nine Power Treaty. Seldom has a more adroit diplomatic expedient been made use of. Chinese were quite willing to use the hated chains of their own bondage, to mislead the party they wished to influence in their favor. Mr. Stimson should have seen that by recognizing Manchukuo,<sup>8</sup> he opened the way to negotiating valuable commercial treaties with that concern, much more important than any "open door policy" depending for its effectiveness on China being held in the unhappy status of a semi-dependency of the Western Powers concerned. AS a matter of fact, it is of record that since the establishment of Manchukuo American trade, in spite of the handicap of the refusal to recognize, has increased by some two hundred percent.

However the all important item in the case was the manifest situation of Japan as the only stable, and so the only dependable government on the <sup>Eastern</sup> ~~Western~~ shores of the Western Pacific. Not only so, but surrounded as she is by hostile and unstable neighbors, as Russia and China, Japan should have appealed powerfully to American sympathy and cooperation. How would it benefit American interests either then or now to have these hostile influences<sup>and forces</sup> damage seriously Japanese national stability. It is just this danger which Japan has been facing ever since she began to emerge into the realm of the family of nations. It seems fairly incredible, Mr. Lippmann, that our Statesmen should not have recognized this when Japan appealed to <sup>the</sup> ~~America~~ and the others of the Western partners, to release her from disabilities of unequal naval development. Chinese propaganda was ever ready with its insinuation of the otherwise unthinkable ambitions of Japan to endanger American peace and tranquility with an enlarged navy, and American

news-papers responded avidly to the lure. Sneering references to Japan's "coverveeming arrogance in her attempt to magnify her importance in the role of maintaing peace and order in the Far East" characterized the entire press of this nation. The effect of this was to abet the Chinese anti-Japanese hostility, and encourag its promoters to increasing demonstrations. Japanese attempts to deal with the resulting difficulties were paraded to the world as aggression. The sole evidence for the charge the bald assum<sup>p</sup>-tion that it is aggression, the assumption being thereafter treated as if it were a thoroughly established fact. In the face of Japanese clearly stated objectives, the least that could be expect- ed would be the suspension of judgment till such time as the pre- vailing conflict shall itself declare its ultimate result.

It is a most unfortunate train of developments which has con-  
verted the possibility of a stable, friendly ~~relationship~~ <sup>naval power</sup> in the pacific into a potential enemy against which it is definitely decided to spend billions of dollars in creating an otherwise entirely superfluous navy. Certainly we are paying a heavy price for our gullible acceptance of Chinese propaganda. As I said to you in my pre- vious letter, Japan has received and continues to receive, a very raw deal.

Look the situation over again Mr. Hippmann, particularly from the time of the Sino-Japanese Korean war, which really initiated this whole episode. Follow it through the circumstances culmi- nating in the Russo-Japanese War; the annexation of Korea, with which compare the annexation by us of The Hawaiian Islands; Japan's share in the World War; Japan's restoration of the German inter- ests in Shantung to China; Japan's relations to Manchuria after the Manchu abdication of the rule of China; note the rise of Chin- ese anti-Japanese hostility, with the long continued endurance of

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

4

this hostility by Japan; examine carefully the evidence as to the fact that Manchuria was never a part of China, and was not surrendered by the Manchu Dynasty; examine the course of events from the Manchu abdication to the restoration under Japanese sponsorship of Manchu rule to Manchuria - do all this very carefully with the certainty that the whole of Western dealings with the entity wrongly called "The Chinese Empire", was based on a serious misconception. I shall be greatly disappointed if you carefully do all this, and do not agree with me that Japan has had a raw deal.

I have not gone into the matter of the alleged "Twenty One Demands", and I shall not now do so, only to say, without now offering the evidence to establish the assertion, they were not demands at all, but merely propositions for discussion and agreement.

I should like to suggest to you now the propriety of in some way having presented through the press something of the point of view set forth in these two letters to you. I think it is due to give publicity to the fact the importance of the issues that there does exist in an entirely disinterested American quarter, a conception based on fifty years of intimate contact, totally different from that so universally prevalent in American newspapers. I have appealed to The New Republic, The Nation, Asia, all of which publish continually anti-Japanese material, but with no success. Any unprejudiced examination of the evidence should show that an egregious blunder is in the process of making by our Government and people. At the least some public opportunity should be given for the expression of the evidence on which that assertion rests. I have absolutely no personal concern in the matter, apart from <sup>that</sup> of futility at being forced to stand aside and look on a tragedy, which otherwise might be so easily avoided.

Soliciting your earnest attention,  
Yours sincerely,

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

February 3, 1939.

My dear Mr. League:

The receipt is acknowledged with thanks of  
 your letter of January 30, 1939, enclosing a copy  
 of your letter of the same date addressed to Mr.  
 Walter Lippmann.

Your courtesy in sending me this material is  
 appreciated, and I assure you that we give appropriate  
 consideration to all data brought to our attention.

Yours sincerely,

STANLEY K. HORNBECK

Stanley K. Hornbeck  
 Adviser on Political Relations

Mr. T. J. League,

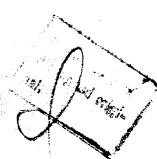
114 Buist Avenue,

Greenville, South Carolina.

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

RECEIVED  
 DEPARTMENT OF STATE  
 ADVISER ON POLITICAL RELATIONS  
 MR. HORNBELT  
 FEB 1 - 1939  
 DEPARTMENT OF STATE  
 1939 FEB 3 AM 9 14

*The Executive Yuan*

DIVISION OF  
 COMMUNICATIONS  
 AND RECORDS  
 Chungking, China.  
 December 11, 1938.

PERSONAL

Dear Mr. Secretary:

As Ambassador Johnson is leaving Chungking for Washington to-morrow, I have great pleasure in taking this opportunity to send you through him this message of remembrance and greetings, trusting that it will find you in the best of health and cheer.

The spirit of the Season brings to me renewed appreciation of those delightful occasions which brought us together at your capital and New Haven, as well as of the hospitality which you were good enough to extend to me, last year. My visit in America being, as it were, a "home-coming" visit, it it recalled with most pleasant recollections, of which many are connected with our meetings.

No doubt, the development of the Sino-Japanese situation has been receiving your close attention. I take this opportunity to assure you of the deep appreciation which the Chinese Government and people feel for the sympathy and moral support which your Government and people have abundantly shown to us in our struggle for the rights of freedom and independence as well as for the cause of peace and justice. While our spirit of resistance to the invader is born of the people's inborn hostility against aggression, it receives much strength and encouragement from such unfailing friendship as America has traditionally shown us, especially during our hour of trial and tribulation. And this friendship, we are happy to note, has been greatly inspired and fortified through your illustrious leadership at the helm of America's diplomacy.

Appalling

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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 Executive Yuan*

Appalling as our national sacrifices and losses have been during the present hostilities, it is gratifying to find that our entire nation has risen to the occasion and is as one man in purpose and action. Altho we have so far been fighting the Japanese militarists single-handed, and altho greater sacrifices will yet be required of us, the American people may rest assured that China will continue to take an honourable stand against the forces of war and aggression which so imperil the peace and security of all Pacific peoples.

No one is better qualified than Ambassador Johnson to give your Government full and authentic information concerning the effects of Japan's aggression on American prestige and interests in China as well as the determination with which China is pursuing its campaign of resistance and reconstruction. The ever-growing community of interests and ideals between America and China encourages me to hope that the two sister Republics will stand shoulder to shoulder against those forces which threaten the interests and ideals held so dear by both of them.

I close with my best wishes for a very Merry Christmas and Happy New Year to you and yours.

Sincerely yours,

  
H. H. Kung.

The Honourable Cordell Hull  
Secretary of State  
Washington, D. C.  
U. S. A.

0831

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

January 30, 1939.

My dear Dr. Kung:

I appreciate very much receiving, through the courtesy of Ambassador Johnson, your letter of December 11, 1938, bringing to me your kind message of remembrance and greetings. I have been pleased to note your generous remarks in regard to your visit in America and assure you that I reciprocate the sentiments you express with regard to our meetings at that time.

Developments in the situation in the Far East are, as you surmise, receiving our careful and solicitous attention. The traditional friendship of the people of this country for the people of China, to which you make reference, has manifested itself in the attitudes and acts of the American people and the American Government over a long period of years, and that friendship remains alive and strong today. That a just and lasting peace shall be established in the Far East is my earnest desire and that of the American Government and people.

With all good wishes for the New Year, I am

Sincerely yours,

Woodrow Wilson

Dr. H. H. Kung,  
President, Executive Yuan,  
Chungking, China.



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

院政行府政民國  
THE EXECUTIVE YUAN,  
NATIONAL GOVERNMENT,  
CHINA.

PERSONAL

The Honourable Cordell Hull  
Secretary of State  
Washington, D. C.

Kindness of Ambassador Nelson T. Johnson

0832

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

February 2 1938

150

Willys R. Peck, Esquire,

American Chargé d'Affaires ad interim,

Chungking.

Sir:

There is enclosed a letter, together with a copy thereof, addressed to Dr. Kung in reply to his letter of December 11, 1938, which was handed to me by Ambassador Johnson. It is requested that you transmit the letter to Dr. Kung in such manner as you deem appropriate.

Very truly yours,

Gordell Hull

793.94/14677

Enclosure:

Letter to Dr. Kung,  
together with copy  
thereof.



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1 1939 PM

Copy to Embassy, Peiping.

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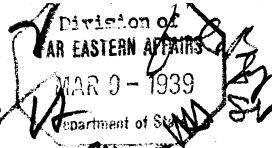
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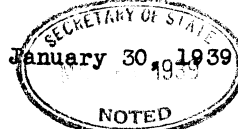
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)  
 Department of State letter, August 10, 1972  
 By Milton D. Quastgen NARS, Date 12-18-75



DIVISION OF FAR EASTERN AFFAIRS

5393

BCR



America's Economic Policy in the Far East

775.94  
 There is at present under consideration the question whether the United States ought to adopt an economic policy toward Japan and China intended to insure failure of Japan in its attempted conquest of China.

In this memorandum the writer has sought to reach an answer to that question only in its relation to the welfare of the United States of America; he has attempted to eliminate such influences as dislike of the Japanese military, dislike of authoritarianism, dislike of communism, sympathy for the suffering millions of Chinese, a desire "to do good", a desire to chastise "the bad", a desire to insure for the world some desirable but vague millenium in the not too distant future. The elimination of these influences has been attempted because such influences are emotional rather than reasoning and are apt to relegate the welfare of the United States to a secondary place.

The answer arrived at in this memorandum is: to attempt at the present time to effect the failure of Japan's policy in China through economic measures will not serve the best interests of the United States.

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 O. Gustafson NARS, Date 12-18-75

2

-2-

The danger of economic measures against Japan:

There are certain economic aids to China which we can give and certain economic checks to Japan which we can apply without serious risk of armed conflict between the United States and Japan. This has been shown by the recent indirect extension to China of a \$25,000,000 credit and by the non-export of airplanes to Japan. How far such aid to China and such checks to Japan can be carried without serious risk of armed conflict with Japan is a question which cannot be answered definitely. This question is something like the question: "How many 'Panays' can Japan sink without creating war with the United States?" In both instances there is a limit beyond which peace cannot be maintained. The writer of this memorandum believes that that limit lies well this side of those economic measures which would be needed to insure the defeat of Japan's China policy. (NOTE: The writer believes that to insure Japan's defeat several other countries would need to join the United States in applying economic measures.)

Applying economic measures, the United States would not be the country to decide the questions whether there would be armed conflict and when there would be armed conflict. Those questions would be answered by the Japanese military governing at Tokyo or by a group of Japanese military in the field.

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 Japanese military are determined that their policy in China shall succeed. Increasingly the Japanese military believe that on the success of that policy hangs the future of Japan, that failure of that policy means the decline of Japan to a minor position among the nations of the world. This feeling is also apparent among many intelligent Japanese civilians: 18 months ago they were opposed to the military program against China; today, still disapproving of that program and fearful of Japan's future, they are behind the military because they believe that it is too late to turn back now without disastrous results for Japan. The Japanese military are acutely conscious of the fact that southern Manchuria slipped from their grasp after the Sino-Japanese War of 1894-95 through the interference of European powers: they are determined that the rewards of the present hostilities shall not be lost through the action of a third power or third powers.

In giving consideration to the possible future action of Japanese military, it should be constantly remembered that the Japanese are today in a highly abnormal state of mind and that even their present involvement with China and the ever-present threat of the Soviet Union would not deter the Japanese military in their present temper from taking action which would, under conditions where reason obtains, be improbable.

There

*Handwritten note:*  
 In the letter  
 has assigned the  
 to division

x



7 8 3 4

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

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There are several ways that war with the United States might be precipitated: the Japanese military directing policy at Tokyo might decide that Japan is sufficiently strong and the United States sufficiently irresolute to warrant strong measures resulting in armed conflict; those Japanese military, believing that America's economic policy would cause the failure of Japan's policy in China, might prefer defeat before the guns of a Great Power than before the rifles of the despised Chinese; or a group of hot-headed, ultra-chauvinistic "younger" officers might take direct action against American nationals or American property which would so impugn American national honor or so inflame the American people or so strengthen those elements in the United States which desire war with Japan that the United States would find it necessary to resort to military action.

When a policy, such as economic measures intended to check Japan, contains the risk of war, even though it may be argued that the risk is slight, the very fact that the risk exists (and the degree of risk cannot be defined this side of experience) makes it inadvisable to adopt such a policy except for the most urgent and profound reasons.

The

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The objectives in applying economic measures:

There are two possible objectives aimed at by those advocating the application of economic measures to cause Japan to fail in China.

The first objective is protection of American interests in China. It is doubtful that more than a small percentage of those persons advocating economic measures advocate them solely for that reason. It is generally understood that our material interests (commercial, educational, and eleemosynary) are of too slight monetary value to defend with a policy which involves risk of war. Our intangible interests in China, that is, our treaty rights, are also scarcely worth the risk of war for the reason that treaty rights in other parts of the world are being too frequently impaired to make it reasonable to defend those rights in any one part of the world by a policy involving a risk of war.

It may be suggested here that a successful maintaining of our treaty rights in China would be a success primarily in technicalities as, whatever the outcome of the Sino-Japanese hostilities, our treaty rights in China will inevitably undergo significant change. If Japan wins, our treaty rights will suffer; if China wins, our treaty rights will also suffer. Chinese victorious against Japan will soon make short shrift of the "special interests"

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

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interests" in China of Western powers.

The second objective of economic measures intended to bring about Japan's failure in China is so to weaken Japan that, failing in China, she will not become a menace to American interests outside of China: the Philippines, Hawaii, Pacific Ocean trade, California. It is not argued here that, were Japan to succeed in conquering China, she would not then menace American interests outside of China. She might or she might not. It is argued here that it is not to the best interest of the United States to run the risk of being plunged into war for the purpose of checking Japan when we do not yet know that Japan will succeed in her China program and when, in the opinion of the writer of this memorandum, it is likely that, left alone, Japan will become less potent militarily as a result of her China venture.

Japan's position in China and at home today:

By not taking economic measures against Japan we avoid the risk of war at the present time. By not taking economic measures against Japan we may very likely be able to avoid war with Japan in the future because the factors which are at work today in the Far East are weakening Japan.

Following the seizure of Manchuria in 1931 by the Japanese military, certain Americans argued that the

United

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United States ought to apply sanctions and run the risk of war - or even actually go to war - to check Japan before she became so strong through conquest on the Asiatic Mainland that she might be too powerful to check later on, or at least much more difficult to check.

X Today, seven years later, Japan is not so formidable an enemy militarily, economically, or financially as she was then. Today Japan is less well prepared to fight the United States than she was eighteen months ago. Today Japan's armies are spread across vast and hostile stretches of China and cannot be withdrawn without the grave risk of losing Manchuria to Soviet Russia and of losing China south of the Great Wall to the Chinese. Financially and economically the structure of Japan is weaker today than it was eighteen months ago, is weaker today than seven years ago. Today only Japan's fleet has not had its strength impaired.

(It is not being argued that in war with Japan today the United States would have an easy victory: it is being argued that Japan is, through the exhausting of her resources, becoming increasingly less formidable an enemy.)

Japan has not yet reached the nadir of her decline as a potential enemy. When she has reached that nadir, when and if she begins to make an upward turn and to rise through the

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the red of liabilities in which her ventures in China have at least temporarily mired her, and when and if it becomes clear that she is beginning to recoup her economic and financial losses and is beginning to arm her own people and the legions of China with eyes directed toward American interests outside of China, then will be the time seriously to consider the applying of economic measures to bring about Japan's failure. Such measures will be as effective then as now; and they will involve less risk. To apply economic measures today, which contain the risk - if not the certainty - of war, in order to eliminate the possibility of future danger, does not seem to be to the best interests of the United States in view of the fact that at the present time Japan is becoming less able to protect herself militarily. It is submitted that it would be more in the American interest to wait and see whether Japan is going to begin to make a success of her China policy. The period of success has not yet begun. That period will begin if and when Japan completes her military victories in China, which are as yet uncompleted, and if and when she begins to strengthen her financial and economic structure through successful exploitation of the resources of China.

It is not being urged that Japan is about to collapse. It is merely being stated that Japan is at present deteriorating militarily, financially, and economically. At

least

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least the United States ought to wait until certain that the deterioration will not continue, should not run the risk of war with an enemy who may never achieve a position from which she can menace the interests of this country which lie outside of China. Only when Japan has consolidated her military position and has begun to exploit significantly China's resources will we know whether she is to become a genuine menace to American interests outside of China. At present there exists the likelihood that Japan may never consolidate her military position and may never exploit China's resources significantly.

The position of China and of Great Britain:

It is suggested by some observers that economic measures ought to be instituted soon for the reasons that China may in the near future be unable to resist Japan militarily and that Great Britain may swing over to Japan's side and assist Japan in establishing herself as mistress of Asia. We have no information to show that China will not continue to resist Japan indefinitely and long. Our information shows that China's man power is still tremendous, that China's morale is high, that China has on hand munitions to last a year or two (General Chiang Kai-shek told Ambassador Johnson recently "two years"), that China is  
 developing

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developing new ways to obtain munitions from abroad in increasing amounts, and that China is developing industries in west China which will increasingly fulfill her needs. We have no evidence that China is going to cease those activities which so long as continued render it impossible for Japan to gain substantially from her China venture. Time is with the Chinese and is against the Japanese whose expenditures increase, whose casualties grow in number, whose gold reserves decline, whose exports decrease.

As for Great Britain, who can say with any certainty? Great Britain, ignoring international idealism, puts the interests of Great Britain first, regardless of what compromises may be necessary. Today her future seems to lie parallel with that of the United States. She can scarcely afford to desert the United States in the near future for a policy of temporary gain in the Orient through association with Japan.

The gains and losses of war:

If we apply economic measures and the risk of war becomes a reality, what shall we gain? We ruin Japan, which would not be to our advantage unless we definitely knew that she was planning to take measures against our interests lying outside of China. We help to alleviate the suffering of millions of Chinese, which is not a

direct

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direct concern of ours nor associated in any way with our national duty. We preserve a Chinese government whose corruption, nepotism and inefficiency played a large part in bringing China to its present unhappy situation. We preserve a Chinese government that will take steps to impair our interests in China as soon as the first flush of appreciation of American help has faded. (It is not being argued that the continuance of an independent China is not desirable; but it is not believed that our support should be of a nature which involves risk of war). We endanger the lives of an unpredictable number of Americans and cause the death of many. We expose to destructive forces an unpredictable amount of American property. We create a situation which may result in serious political change in this country as, with the virus of authoritarianism abroad in the United States, a government granted broad powers for prosecution of a war may refuse to relinquish those powers at the conclusion of that war.

Conclusion:

The conclusion arrived at in this memorandum is that the application of economic measures directed against Japan before the certainty of Japan's success in China is established



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established would invite the risk of a war between the United States and Japan which would be contrary to the best interests of the United States when, by waiting, risk of war with Japan may be eliminated through factors not originating in the policy of the United States.

It is believed that we should use our influence against countries engaged in breaking down orderly processes in relations between nations. The preservation of orderly processes is important to the United States. In employing that influence, it is believed that this Government should continue the policy which it has heretofore pursued; namely, in regard to Japan, approaches through the machinery of diplomacy, the withholding of aid to Japan, the withholding of assent to Japan's actions, and the taking of cautious measures of assistance to China which do not incur the risk of war.

FE:Sa<sup>MA</sup>isbury:JPS

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

5407

# TELEGRAM RECEIVED

FROM

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

Chefoo via N. R.

Dated February 8, 1939

Rec'd 6 a.m.

Secretary of State,  
Washington.

✓ Division of  
EASTERN AFFAIRS  
FEB 8 - 1939  
Department of State  
m

14, February 8, 9 a.m.

Reference to Department's telegram No. 22,  
January 28, 2 p.m., to Peiping.

not  
693.001  
The Inspector General of Customs at Shanghai  
refuses to transfer Theodore W. Joyce who told me he  
will not (repeat not) obey any Japanese orders  
transmitted through the Commissioner of Customs.

The Commissioner has granted part of the Japanese  
demands by appointing effective February 1 the Japanese  
second officer as Acting Commander of the Chinese  
Maritime Customs cruiser HAICHENG.

ROBERTS

HTM:DDM

RECEIVED  
FEB 14 1939

793.94/14678

F/FG

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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 894.24/593 FOR Memorandum  
 State Department  
 Far Eastern Division  
 FROM (Ballantine) DATED Jan 7, 1939  
 TO NAME 1-1127

REGARDING: Materials used by Japan in the conduct of the conflict in  
 China.  
 Provenance of-

793.94-14679

FRG.

14679

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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 890.00/129 FOR Memorandum  
State Department  
Far Eastern Division  
FROM (Salisbury) DATED Feb 2, 1939  
TO NAME 1-1127 ...

REGARDING: Situation in Far East.  
Developments for the past week.

FRG

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14680

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

*Copy sent to Treasury  
 as confidential*

5408

**TELEGRAM RECEIVED**  
 GRAY

FS

Tokyo

FROM Dated February 9, 1939

Rec'd 9:05 a.m.

Secretary of State,  
 Washington.

RECEIVED  
 O.N. 11652

Division of  
 FAR EASTERN AFFAIRS  
 FEB 9 - 1939  
 Department of State

82, February 9, 7 p.m.

Our 63, February 1, 5 p.m.

Mr. Tsurumi, of the Foreign Affairs Section, Budget Committee of the Lower House, in yesterday's session stated that the relations with the United States and Great Britain represent a problem uppermost in the minds of the Japanese people. He inquired whether it was not incorrect to conclude at the present time that there exists common and identic action on the part of the United States and Great Britain; and asked whether they might not, following changes in the situation, act in perfect concert. Mr. Tsurumi is reported to represent a group favoring "peace diplomacy" toward the United States and "strong diplomacy" toward Great Britain.

Our translation of Mr. Arita's reply as reported in the press this morning follows: "As you are aware, the attitudes taken by the United States and Great Britain toward problems in China since the outbreak of the incident have not always been identical. Recently with regard to

certain

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

5409

FS 2-No. 82, February 9, 7 p.m. from Tokyo

certain problems, both countries have sent to this government notes, the contents of which were practically identical, and the Ambassadors of both countries have made similar oral representations to the Japanese Government. However, as Mr. Tsurumi has said, I too believe that it cannot be said that the relationships, et cetera, of the interests in East Asia of the United States and England are always entirely identical. Accordingly, insofar as their interests are identical it is, of course, not impossible to imagine that they will take similar action. However, the statement is often made that the representatives of these countries are not necessarily taking identical action as a result of consultations between the two countries.

If my memory is not at fault, there was a newspaper despatch from Paris early this year at the time France sent a note practically identical with the American and British notes which attributed to authoritative circles in the French Government the statement that although the purport of the note was identical with the American and British note it was definitely not sent as a result of consultations with America and Great Britain--it merely happened to be the same. This was the statement appearing in the newspapers and I believe that such may be the case. Nevertheless, we believe that whether the United States,

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5410

FS 3-No. 82, February 9, 7 p.m. from Tokyo

States, Great Britain and France with regard to these problems, take action after mutual consultations, or whether even if such consultations, they happen to take actions which bring about similar results, it does not represent a situation which might be viewed with any particular seriousness by Japan."

PEG

GREW

785

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



# AMERICAN DEFENSE SOCIETY

OF THE

## UNITED STATES

INCORPORATED

(NON-PROFIT AND NON-PARTISAN)  
For the propagation and defense of straight, Loyal Americanism

EXECUTIVE OFFICES  
SUITE 444, DOUGLAS BUILDING/357 S. SPRING ST., LOS ANGELES  
RECEIVED 9344

DIVISION OF 2/2/79

THE AMERICAN REPUBLIC  
DEPARTMENT OF STATE

SECRETARY OF STATE

FEB 13 1939

Hon. Cordell Hull  
Secretary of State  
Washington D.C.

My Dear Mr. Hull:-

On February 6th., 1939, Mr. Kilsoo Haan, a Korean ~~representing~~  
the Sino-Korean People's League, who was for some time, I under-  
stand, officially in the employ of the Japanese masters of Korea,  
and later in defense of his own oppressed people, and for some  
years a resident of Hawaii, will leave this city, on his way to  
see you in Washington, by appointment.

Because of the attitude of the American Defense Society and of  
Planetaryan toward such problems as that presented by Japan and  
its definite and well known aspirations to dominate the Pacific  
area, and the unquestionable danger that if we are not aware of  
all the facts we might suffer serious consequences as a result,  
I have made it my business to become acquainted with Mr. Haan. He  
claims to have been personally acquainted in Hawaii with Alexander  
Hume Ford, of the Pan-Pacific Union, and with Lorrin Andrews, at  
that time the Attorney-General of the Territory, both of whom are  
members with us.

I have heard him talk twice before public audiences. In one  
instance the Chinese Consul was present on the platform thus giving  
him Chinese official recognition, and a program was presented by  
the local Korean group of highly respected residents of our city.  
On the other occasion he addressed a group of colored women, largely  
wives of professional men and other definitely loyal Americans.  
This second opportunity to hear him was arranged for by the  
American Defense Society.

In my opinion, backed by a personal acquaintance with the Orient,  
including Korea and its history, I incline to the opinion that  
Mr. Haan deserves special consideration and should be given as  
much time as can be allotted to him. You may then think, as I do,  
that he should meet the President and present his facts before a  
proper Committee needing to have the information, or to hear from  
an educated, English speaking Korean, the viewpoint of his people  
concerning the outlook in the Far East, and the local dangerous  
situation caused by Japanese propagandists in Los Angeles.

Again assuring you of our willingness to be of service,

THE AMERICAN DEFENSE SOCIETY  
And PLANETARYAN

THE AMERICAN DEFENSE SOCIETY is committed to a program of education in Americanization, and to drive Commu-  
nism, Nazism, Fascism, and all subversive influences out of public affairs and office, so that this free democracy in a con-  
stitutional republic may endure and prosper. This program has aroused the bitter animosity of certain sections. Consequently  
attempts have been made to harass our leaders, whose names were at first published. We have therefore desisted from  
publishing their names. Enquiries will only be recognized if addressed to our attorney, Mr. Rex I. McCreery, 444 Douglas  
Building, Third and Spring Sts. VAndike 9344.

By  
Dr. Nathaniel A. Davis

793.94/14682

F/FG 14682



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

\* ADDRESS REPLY TO \*

PLANETARYAN

NATHANIEL ABRAHAM DAVIS

MEMO

My dear Mr. Hull:-

I am enclosing a copy of one of our American  
 Defense Society Song Sheets.

I have taken this liberty because I am well  
 aware of your fine understanding of problems  
 we are attempting to solve.

We realize the fact that no popular movement has  
 ever been notably successful unless expressed  
 in songs that have thrilled the singers.

Therefore we are endeavoring to meet this need.  
 This particular group of verses happen to be  
 part of my own contribution to this program.

You will notice, marked on page 9, a

PAN-AMERICAN SONG.

Music will be published in connection with it  
 and if it goes over it will be translated into  
 French, Portugese and Spanish.

Do you approve of the idea ?

Very cordially yours,

*Nathaniel A. Davis*  
 Dr. Nathaniel A. Davis  
 1247 W. 5th. St.  
 Los Angeles...California

January 1939

"THE TORCH"

Page 9

## SONG SUPPLEMENT NUMBER ONE

### WITHIN THE U.S.A.

By NATHANIEL A. DAVIS

Sung to Special Music

We want no Red Dictators,  
We want no Fascist Traitors,  
No Nazi Agitators,  
Within the U.S.A.  
No "Shirts," no Ku Klux Klanners,  
Nor any with their manners  
To march beneath our banners  
Within the U.S.A.

No place have we for haters,  
For bitter, wild debaters,  
For Uncle Sam beraters  
Within the U.S.A.  
No rats who do not like us,  
No foes who long to strike us,  
No spies who want to spike us,  
Within the U.S.A.

If any sort of treason  
Unbalances your reason,  
Take this advice, in season,  
Get out, get out, and STAY.  
If this land does not suit you,  
Well, let your own sort loot you,  
Or beat you up or shoot you,  
But, leave the U.S.A.

Then, when you've had your licking,  
If still alive and kicking,  
And, through with on us picking,  
You love the U.S.A.  
We make no promise, no sir,  
But if you prove that's so sir,  
We'll, may be, let you go sir  
Back to the U.S.A.

### CHORUS:

Within the U.S.A.  
Within the U.S.A.  
We want true men, no others.  
As citizens and brothers,  
Clean, loyal, straight, no others,  
Within the U.S.A.

### PAN-AMERICAN SONG

By Nathaniel A. Davis

HAIL THE AMERICAS! Hail, all hail!  
Free as the winds are free,  
Swept by the blasts of a stormy gale  
Or laved by a calm blue sea.  
Two Continents, yet, in heart-beats ONE,  
Sharing one holy name  
As we to all, beneath Earth's sun,  
Our brotherhood proclaim.

Our fathers came from many a race,  
And many a distant land,  
That they might find this better place  
Upon this sacred strand.  
No old-world lords in old-world roles  
Shall fill our souls with fear;  
No alien tyrants bind our souls,  
Or plague our children here.

Adamant, as our mountains are,  
Shall be our pacts maintained;  
Our banners, like a guiding star,  
Pledge all that we have gained.  
By every symbol we display,  
Within each sovereign State,  
We swear to hold, from day to day,  
Our freedom, firm as Fate.

### REFRAIN

Twenty-one, but yet as ONE  
We guard earth, air, and sea,  
To keep that pact, unchanged, intact,  
AMERICAN and FREE.

### AMERICA

By NATHANIEL A. DAVIS

Sung to "My Maryland"  
American Defense Society  
Theme Song

America! Upon my heart  
I place my hand, and by that sign  
I pledge allegiance to thy cause,  
I pledge obedience to thy laws.  
America! America!  
Protecting me, protecting mine.  
America! America! America! America!

America! Thy Flag I see  
And, as I see that Flag, I stand  
While I salute that Banner bright,  
My only liege, my only land,  
America! America!  
Symbol of freedom, strength, and right!  
America! America! America! America!

America! Again I pledge,  
Before the living and the dead,  
Before the Father of us all  
To whom we pray, on whom we call,  
America! America!  
My loyalty till life has fled.  
America! America! America! America!

### OUR AMERICA

By NATHANIEL A. DAVIS

Sung to "Aurelia"

We came across the oceans  
From many a distant clime,  
From countries whose traditions  
Are old as man and time,  
Because hope stirred within us  
That all we heard was true,  
Expecting, in this haven,  
To start our lives anew.

We left our old traditions  
Of sophistries and pride,  
Our bigotries and hatreds,  
Beyond the Great Divide.  
Sprung from a myriad races,  
We came that we might be  
American in spirit,  
One people, brave and free.

Your fathers are my fathers,  
Oh brethren of my heart!  
In all your ancient glories  
I claim and hold a part.  
Yet, this, MY ONLY COUNTRY,  
I own in peace and strife,  
To serve with true devotion  
And all the strength of life.

Let no one dare divide us.  
ONE PEOPLE . . . ONLY ONE  
Throughout this hallowed UNION  
From rise to setting sun.  
One blest, star-spangled banner,  
UNHYPHENATED NAME,  
One heart, one soul, one spirit,  
One everlasting flame.

Oh THOU, whose perfect wisdom  
Makes ONE the sons of men,  
Protect and guide and bless us  
And haste that moment when,  
All hates and malice vanished  
From underneath the sun,  
Mankind shall all, united,  
In peace abide as ONE.

January 1939

"THE TORCH"

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THE AMERICAN DEFENSE SOCIETY OF THE UNITED STATES, INCORPORATED  
Suite 444, Douglas Building, 257 S. Spring St.,  
Los Angeles, California Telephone VAndike 9344

THE CONSTITUTION OF THE UNITED  
STATES OF AMERICA

We, the people of the United States, in order to form  
a more perfect union, establish justice, insure tranquil-  
ity, provide for the common defense, promote the gen-  
eral welfare and secure the blessings of liberty to our-  
selves and our posterity do ordain and establish this  
CONSTITUTION for the United States of America.

THE CHARTER OF OUR RIGHTS

Sung to "Lancashire," commonly known as  
"Jerusalem the Golden"

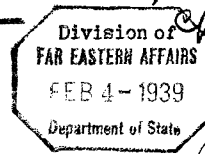
Brave words are these, my brethren,  
But not more brave than right.  
Born in an hour of triumph,  
Reflecting conscious might.  
The glories of the ages  
Gave us this guiding light  
To hold, which, we, the people,  
Must guard both day and night.  
For this we crossed the oceans,  
For this our fields were sown,  
For this our lives were given,  
That no dictator's throne  
Might dare to mar our freedom  
Or take from us our own,  
Or reap the golden harvest  
Of all that we have grown.  
By every blow for freedom,  
By all our holy dead,  
By all the ways of progress  
In which we have been led,  
We vow to keep untarnished  
That which our Fathers said,  
And never fail nor falter  
With them that path to tread.  
This sacred Constitution  
Must ever be the test  
Of that which makes this nation  
Out-rival all the rest.  
America, the peerless,  
Of all earth's lands the best,  
By all mankind respected,  
By man and heaven blest.  
That ye may stand together  
Forever in this way,  
Your faith, your trust, your passion,  
We pledge again today;  
And no one can stand with us  
Who dares to answer NAY;  
While those alone are worthy  
Who to our call say YEA.

The entire contents of The Torch, Copyrighted, 1939  
By Nathaniel A. Davis, All Rights reserved

Read and study the song poems published in this issue of the Torch. Audiences appreciate them. Ask to have them sung before any group of which you may happen to be a leader or a member. Phil Gatch, our song leader, and his quartet are wonderful. Think this suggestion over. They are ready to serve you.

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

DCK



February 2, 1939.

My dear Mr. Davis:

By direction of Secretary Hull, I wish to acknowledge the receipt of your letter of January twenty-fifth, in which you state that Mr. Kilsoo Haan, representing the Sino-Korean People's League, is about to visit Washington to see the Secretary by appointment and request that Mr. Haan be given as much time as possible in order to present his views concerning the situation in the Far East.

There would seem to be some misunderstanding regarding Mr. Haan's appointment to see the Secretary, since no record has been found here regarding such an engagement. I may add that, because of the pressure of the many emergency problems with which the Secretary has to deal at this critical time, he

has

Mr. Nathaniel A. Davis,  
 American Defense Society of the  
 United States, Incorporated,  
 257 South Spring Street,  
 Los Angeles, California.

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

- 2 -

has found it necessary to limit his appointments to a minimum for the time being. In these circumstances, it is suggested that when Mr. Haan arrives in Washington he might care to call at the Division of Far Eastern Affairs and an officer of that Division will be pleased to receive him.

Sincerely yours,  
C. W. Gray

C. W. Gray,  
Office of the Secretary.

A true copy of  
the signed orig-  
inal R

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

5411

## TELEGRAM RECEIVED

JR

This telegram must be Tokyo  
 closely paraphrased be-  
 fore being communicated FROM Dated February 10, 1939  
 to anyone. (br) & (C)

Rec'd 11:25 a.m.

Secretary of State,  
 Washington.

83, February 10, 5 p.m.

It is officially announced that at 3 o'clock this morning the Japanese navy and army landed troops and occupied the Island of Hainan. A statement issued later by the Foreign Office spokesman says that the action does not violate the Franco-Japanese agreement of 1907 but beyond declaring that the operations are for the purpose of exterminating the Chinese military forces on the island the statement contains no explanation relating to future policy in connection with the occupation.

Although the Japanese have for some time been in possession of the island of Waichow from which base the routes leading into China from Indo-China can be reached by aircraft without difficulty while traffic can be controlled in the Gulf of Tongking, the occupation of Hainan is of greater tactical and strategic importance in

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 O.N.I. AND M.I.D.  
 in strict confidence

Division of  
 FAR EASTERN AFFAIRS  
 10 1939  
 Department of State

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

5412

-2- #83, February 10, 5 p.m., from Tokyo.

in connection with the present conflict and, if converted into a well equipped naval and air base, this island will dominate the whole coast of the mainland between Hong Kong and the southern tip of the Indo-China peninsula. Its holders can check all traffic into and out of Hanoi if a blockade were desired and possession of it by the Japanese would have a great effect on the matter of control of the South China Sea between the mainland and the island of Luzon as well as limiting the sphere dominated by Singapore.

A further possible consideration is the relation which the occupation of Hainan may have on the Japanese southward advance policy.

In examining the political aspects of the occupation of Hainan this action while it may be an exaggeration to look upon it as a direct reply to the American, British and French notes of October and November last, can be considered as a perfectly sure indication of the indifference with which the Japanese regard the recent rumors of Anglo-American joint action against Japan.

My French colleague has merely informed his Government of the announcement and will take no action unless instructed.

GREW

CSB

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

FC - Mr. Watson  
8/11/40 1/6/20 ✓



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

(CONFIDENTIAL)

PARAPHRASE

A telegram (no. 83) of February 10, 1939, from the American Ambassador at Tokyo reads substantially as follows:

At 3:00 a.m. on February 10 troops were landed and Hainan Island was occupied by the Japanese navy and army, according to an official announcement. The French Ambassador in Tokyo has simply informed the French Government of the announcement and unless otherwise instructed will take no action. Subsequent to the official announcement of the occupation the spokesman of the Japanese Foreign Office issued a statement to the effect that this action is not a violation of the agreement of 1907 between Japan and France. The statement also declares that annihilation of the Chinese military forces in Hainan is the reason for the operations but it contains no further explanation in regard to what is planned for the future in connection with the occupation of the island.

Although it may be an exaggeration in regard to the occupation of Hainan, in considering the political aspects thereof, as a direct answer to the notes presented to the Japanese Government in October and November of 1938 by the American, British, and French Governments,

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

STRICTLY CONFIDENTIAL

-3-

this action can be looked upon as definitely showing Japanese indifference to the rumors which have been heard recently of joint action against Japan by the United States and Great Britain.

With the Island of Haichow, which has been in Japanese possession for some time, as a base aircraft can easily reach the routes leading from Indochina into China and traffic in the Gulf of Tonking can be controlled. However, in connection with the present hostilities, the occupation of Hainan is of more importance strategically and tactically. If a blockade is desired those holding Hainan can stop all traffic to and from Hanoi. The sphere controlled by Singapore would be limited and the matter of control of the South China Sea between the Island of Luzon in the Philippines and the mainland of Asia would be greatly affected by Japanese possession of Hainan. The entire coast of the mainland of Asia between the southern tip of the Indochina peninsula and Hong Kong will be dominated by this island if it is made into a well equipped air and naval base. The relation which the occupation of the island may bear to the southward advance policy of Japan is also a possible consideration.

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*HP*  
 FE *new*

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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. Tientsin/128 FOR #716 to Embassy

FROM Tientsin (Caldwell) DATED Jan 5, 1939  
 TO NAME 1-1127 \*\*\*

REGARDING: Sino-Japanese situation: developments of month for Dec., 1938

FRG.

793.94/ 14684

14684

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

### 3. Japan.

a. Tientsin. Japanese activities of greatest interest to Americans and other foreigners were the restrictions imposed by the Japanese military authorities on the borders of the French and British concessions in Tientsin described under "Great Britain", herein.

Measures taken by the Japanese in the Third Special Area, allegedly for the suppression of subversive Chinese elements caused a very considerable inconvenience to American interests, particularly the Standard-Vacuum Oil Company and the Texas Company whose installations are situated in that area. Very large quantities of Japanese military supplies are stored in that area and during the past three months a considerable number of fires have occurred in these stores, which fires the Japanese military are reported to claim were of incendiary origin. On this account the Japanese military have from time to time prohibited all access to the Third Special Area and throughout December limited traffic in the area to the main north and south road and one other street leading from this road toward the French barracks and on these roads restricted all traffic to daylight hours and placed very considerable handicaps on even this

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-6-

this limited traffic such as requiring that all trucks or motorcars be accompanied by a Japanese and requiring that Americans moving on the road be in possession of Japanese military passes, which were unobtainable.

b. Japanese Troop Movements. Reports were current in usually well-informed circles in Tientsin during the month of considerable Japanese troop movements through Tientsin toward Manchuria. It is impossible definitely to confirm or disprove these reports on account of the secrecy maintained by the Japanese military. Certain foreign quarters who are usually well-informed, stated that more than 20,000 Japanese troops arrived in Tientsin by the Tientsin-Pukow Railway during the first two weeks of December and apparently stayed in this area. This does not seem probable, however, as these troops were definitely not in evidence here and it would be difficult to conceal the presence of so many troops for any considerable period. It seems probable that a large number of Japanese troops were transferred from North China to Manchuria during December but their ultimate destination is unknown.

c. Campaign Against Guerrillas. Japanese military reports published in the local newspapers claimed considerable successes against Chinese guerrillas in Hopei, Shantung and Shansi. An American who followed in the track of the Japanese troops who were operating

-7-

operating against the Chinese partisans on the Hopei-Shantung border to the west of Tehchow, reported that the Japanese operating in this area apparently accomplished very little other than arousing the hatred of the Chinese and burning a considerable number of Chinese houses. At only one point were the Japanese opposed by the Chinese military and at this place the Japanese losses in killed and wounded were apparently equal to, if not greater than, those of the Chinese.

An American resident of Shansi who is in a position to be conversant with such matters stated that in his opinion the Japanese were making little headway in the pacification of that province and no headway whatever in winning the goodwill of the Chinese inhabitants. His opinion in this regard was based on contemporary reports from all parts of the province with the exception of a small section of North Shansi. With regard to the constantly repeated reports from Japanese sources of an imminent attack on Shensi province, he stated that the Japanese apparently did not have sufficient forces in Shansi to make such an attack and at the same time maintain their position in Shansi province.

III.

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

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## DOCUMENT FILE

## NOTE

SEE 893.00 P.R. Tsinan/112 FOR #19 to Embassy

FROM Tsinan (Hawthorne) DATED Jan 6, 1939  
 TO NAME 1-1127 \*\*\*

REGARDING: Sino-Japanese conflict; developments for the month of Dec., 1938.

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FRG.

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

2. Japan:

a. Japanese Anti-guerrilla Campaign:

The local press continued to carry frequent detailed accounts of Japanese successes in the field of "bandit" suppression, and while no important progress was made in extending the authority in Shantung of the Peiping regime on any permanent basis, since towns were evacuated by the Japanese almost as often as occupied by them, the Japanese are known to have met with no little success in the capture and confiscation of fire arms so vital to a continuance of guerrilla activities. Furthermore, with the advent of cold weather, turncoats in the guerrilla ranks appear to have become more numerous.

b. Situation Breeds Banditry:

It appears that once armed guerrilla bands declare allegiance to the new government they are permitted to retain their arms and pillage the country side. Thus an American in Tenghsien (滕縣), Shantung, wrote on December 24:

"Six hundred guerrillas were accepted by the Japanese as co-patriots last week and sent back to

their

1. Copies will be transmitted as soon as they can be prepared.



- 3 -

their old haunts armed as they formerly were and, it is said, without soldiers' pay."

Former bandit-suppression troops of Han Fu-shu, numbering about 3,000 and commanded, as before, by Liu Yao-t'ing (劉耀庭), are now "cooperating" with the Japanese. These disaffected troops engaged in open robbery in the vicinity of Tsining (濟寧) during December, with the tacit approval of the Japanese garrison in occupation of that place, and levied fees for "protection" on all business establishments, including the Chinese agent for the Standard Vacuum Oil Company. Among their robbery victims was a Chinese grain merchant and dairyman, whose business premises are owned by the American Presbyterian Mission, Tsining.<sup>1</sup> These same troops attempted to loot Tung'ing (東平), northwest of Tsining, during the month, but the local militia successfully defended the city against their attack.

**c. Chinese People Determined to Resist:**

Even in the face of successive Japanese victories and the untold hardships which they have been forced to undergo as a result of the present conflict, the Chinese masses in this area are determined to resist, and many appear confident of the ultimate outcome. News of the American and British loans to China should therefore be encouraging. That they can put up little military resistance is true, but by passive resistance, sabotage and arson they hope to prolong the struggle and to prevent

the

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1. The Consulate was not requested to take any action in connection with this entry into American property and the commission of armed robbery therein by Chinese troops for the acts of which it considers the Japanese responsible, possibly because the mission authorities are aware that there exists no legal authority for the use of mission property in the interior for commercial purposes.

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

- 4 -

the Japanese from reaping a large economic harvest from the occupied territory. Indicative of the general feeling is the following excerpt from a letter addressed to the Consulate on December 26 by an American resident of Weihsien (潍縣):

"The people are determined to resist the Japanese, even to putting up with some of the guerrillas. They know they are bad but will pass on some day, while the Japanese will not pass on. So it is fight to the last as far as the Chinese masses are concerned. I do not dare to use my car even tho the road to Changi is supposed to be repaired, as anytime the Japanese leave it will be torn up again."

d. Shih Yu-san:

Shih Yu-san (石友三) is reliably reported to have received reinforcements and arms and ammunition from Anhui, making him the most powerful Commander in Shantung opposing the Japanese. He is understood to have been in the vicinity of Sintai (新泰) and Laiwu (萊蕪), in central Shantung, with an army of 40,000 men, until the latter place was attacked by the Japanese on December 18th, after which he is said to have retreated northward, possibly, it was thought, to join forces with Shen Hung-lich (沈鴻烈), (former Mayor of Tsingtao and the present Central Government appointee as Governor of Shantung) north of the Tsingtao-Tsinan Railway. It was subsequently reported and given credence in local Chinese circles that Shih had been appointed Chairman of Chahar, and that he had reached Kihaiien (冀縣), Hopei, on December 30th, en route to his new post.

e. Eighth Route ARMY:

Units of the 8th Route Army are reported to have been active in carrying on propaganda work and to have made an abortive attack on Laiwu (萊蕪) on December 28th.

C.

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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 894.00 P.R./133 FOR #3613

FROM Japan (Grew) DATED Jan 17, 1939  
TO NAME 1-1127 ...

REGARDING: Sino-Japanese situation: developments for the month of Dec., 1938.

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14686

II. RELATIONS WITH OTHER COUNTRIES.

(a) China.

1. Military Operations.

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Military operations during the month of December were generally devoted to quiet consolidation of the territory occupied by the Japanese forces and attempts to pacify guerrilla bands.

In

\* Embassy's despatch No. 3536, December 22, 1938.

\*\* These representations were reported by the following despatches which are listed in the same order as the above American representations: Nos. 1135, December 6; 1136, December 8; 1140, December 10; 1151, December 10, 1142, December 10; 1145, December 12; 1149, December 20; 1152, December 29, 1938.

-2-

In the regions of South Shansi and North Honan, various encounters were reported with the Chinese forces and some fighting in the mountains in those regions was indicated. In general, however, the military situation in Shansi and Honan seemed to be as unsettled as ever.

In the Wuhan area there were no engagements or troop movements of any importance. Some operations were carried out on the north bank of the Yangtze in the foothills of the Tapien Mountains around Macheng in an attempt to eliminate the remnants of the Chinese forces in that area. It was generally quiet in the vicinity of Yochow and the Japanese gave no indication of any intention to attack.

In South China after the finish of the campaign on the Kowloon Peninsula in November, the Japanese directed their attention to the delta of the West River south of Canton. The renewed reports from Chungking concerning the opening of a campaign to retake Canton were not followed by any active undertakings on the part of the Chinese. The military situation around Canton during the month of December was only slightly, if at all, changed. There were some indications that the Chinese were fearful of an attack on the Indo-China supply route from landings near Pakhoi or in Kwangchow Bay. There were also some indications that the Japanese in the event of a renewal of the positive campaign in South China might take Hainan Island. Along with the general lull in major operations there occurred a redoubling of the Japanese efforts against the guerrillas in the occupied area. These operations were only dealt with in a fragmentary nature in the Japanese press and it is therefore difficult to accurately evaluate the extent of guerrilla operations.

The

-10-

The air force of the Army in North China devoted its activities principally to operations against the communist troops ~~crossing~~ the Yellow River in North Shensi near Hoku and Paoteh. Some raids were also made against the guerrilla forces near Tientsin and at Tshiu in southern Shantung.

In Central China bombing operations in support of ground forces were carried out against Chinese forces to the south and west of Lake Tungting. Operations in South China were actively carried out in support of the "mopping up" operations in the delta west of the river and near the mouth of the East River. The Canton-Hankow Railway was also raided at several points in Kwangtung.

In general the operations during the month of December indicated that the Japanese are now settling down into winter quarters with no further plans for an early extension of their holdings in military operations.\*

(2) General Relations.

On December 27 the CHUGAI SHOGYO newspaper published a rather long editorial on the departure of Mr. Wang Ching-wei from Chungking and his arrival at Hanoi. The editorial stated that while nothing definite was known at the time about the reasons for his desertion of the Chinese capital, it was obvious that he had broken with the present Chiang Kai-shek régime and was not entirely in sympathy with the policies being followed by that régime. The editorial seemed to express belief that Wang's departure indicated a further strengthening of the Communist position within the Nationalist Government and emphasized that the consequences of Mr. Wang's departure were to be watched with considerable interest.

General

\* This section prepared with the assistance of the Military Attaché's office.

-11-

General speculation was aroused when, on December 29, Mr. Wang's statement advocating peace with Japan based upon the principles set forth in Prince Konoye's statement of December 22 was published. In view of the postponement of the Premier's statement, it is quite possible that the timing of these two statements may have been carefully planned. However, up to the end of the period under review there had been no concrete developments resulting from this display of desire for peace on the part of a former prominent member of the Kuomintang party.

Relations with the occupied areas of China continued to be dominated by military activities and little or no progress was made towards the establishment or strengthening of new régimes in these areas. Late in November the Cabinet announced that it had decided upon a fundamental policy for regulating Sino-Japanese relations in connection with construction of a new order in East Asia.\* This was followed by a secret conference in the presence of the Emperor at which time the Cabinet's policies were reportedly approved. Public announcement of these basic policies was to have been made by the Premier in a speech at Osaka on December 11. Owing to "ill health", the Premier was unable to go to Osaka and it was announced that the declaration was indefinitely postponed. On December 22 Prince Konoe issued an important statement embodying the conditions which Japan asserts that she demands of China. (This statement is covered in another section of this report). Information received by the Embassy would indicate that the conference in the presence of the Emperor had to do at least partially with efforts to establish a new régime in China.\*\* It is believed that this régime was to have been headed by

existed

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\* Embassy's telegram No. 755, November 29, 1938.  
\*\* Embassy's telegram No. 783, December 14, 1938.

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

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existed and the present plan seems to be for a loosely federated form of Government in China, and the setting up of a single Government is not imminently expected.\*

The China Promotion Board was organized and began its activities on December 16.\*\* This Board is to have the direction of all activities in China with the obvious exception of those of a military nature. On December 22 Mr. Otani, President of the North China Development Company stated on his return to Japan that the affairs of his Company in North China were progressing satisfactorily and that he hoped in the fairly near future to establish the North China Communications Company, which is to be one of the most important subsidiary companies. It was announced on December 20th that the Cabinet Planning Board had completed the preparation of a comprehensive five-year industrial plan for Japan, "Manchukuo" and China. This was later announced as a three-year plan requiring a fund of some 13 billion yen.



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

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as confidential  
Copy also to .....  
and .....

3019

**TELEGRAM RECEIVED**  
FEB 15 1939  
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*Paraphrase*  
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in confidence  
DT

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

Peiping via N.R.  
Dated February 7, 1939  
Rec'd 6:45 p.m.

Secretary of State,  
Washington.

*Copy in  
paraphrase sent  
to Treasury as  
confidential*

Division of  
FAR EASTERN AFFAIRS  
FEB 8 - 1939  
Department of State  
*WAA*

A-M/G  
RECORDING DES  
FEB 14 1939  
DEPARTMENT OF STATE  
A-M/C  
ASSISTANT SECRETARY  
OF STATE

60, February 7, 3 p.m.

(GRAY) One. The Japanese military recently sponsored  
a trip by air to Taiyuan for the foreign press corres-  
pondents in Peiping, the major object of which was to in-  
form the correspondents with progress in industrialization  
in and around Taiyuan.

Two. The Japanese claimed to be operating, or are  
almost ready to operate, 42 industrial plants in that part  
of Shansi, including 6 spinning mills, 12 flour mills, 4  
coal mines, 2 iron works, 10 electric light plants, 2 paper  
mills, 1 tannery, 3 match factories, 2 powder mills, 1 brick  
kiln, et cetera.

Three. Operation of plants is almost entirely in the  
hands of Japanese military although number of technical  
experts have been brought from Japan. The output of the  
going plants is diverted in the first instance to the use  
of the Japanese military and surplus sold for private usage.

Four. In addition to making the Japanese military  
largely self supporting (in cotton goods, paper, bricks,  
flour

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

FS 2-No. 60, February 7, 3 p.m. from Peiping

flour, et cetera) a profit is being realized. It is stated that profit of about 3 million yen has already been made. (END GRAY).

Five. It is stated that the Chinese have invested in these industries but the Chinese investment is probably inforced donation of their interest in these plants.

Six. While the unprejudiced foreign correspondents recognized typical Japanese propaganda in many of the statements made to them they observed a goodly amount of industrial activity which will be of material assistance to the Japanese armed forces in that area. However, it is commented that the continued financial success of these enterprises is problematical as announced profits are based on large amounts of confiscated <sup>raw materials</sup> ~~etc~~ which may not be available in the future.

Seven. Repeated to Chungking. By mail to Tokyo, Shanghai, Tientsin.

RR:CSB

LOCKHART

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

Confidential

P A R A P H R A S E

A telegram (no. 60) of February 7, 1939 from the American Embassy at Peiping reads substantially as follows:

The Japanese military recently sponsored a trip by air to Taiyuan for the foreign press correspondents in Peiping, the major object of which was to inform the correspondents with progress in industrialization in and around Taiyuan.

The Japanese claimed to be operating, or are almost ready to operate, 42 industrial plants in that part of Shansi, including 6 spinning mills, 12 flour mills, 4 coal mines, 2 iron works, 10 electric light plants, 2 paper mills, 1 tannery, 3 match factories, 2 powder mills, 1 brick kiln, et cetera. Although the Chinese are said to have invested in these industries it is probable that their investment consists of forced donations of their interests in the industries.

Operation of plants is almost entirely in the hands of Japanese military although number of technical experts have been brought from Japan. The output of the going plants is diverted in the first instance to the use of the Japanese military and surplus sold for private usage.

In addition to making the Japanese military largely self supporting (in cotton goods, paper, bricks, flour, et cetera)

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

- 2 -

et cetera) a profit is being realized. It is stated that profit of about 3 million yen has already been made.

As announced profits are based on huge quantities of raw materials which were confiscated and which in the future it may not be possible to obtain, comment is made to the effect that how long these enterprises will continue to be financially successful is problematical. In many of the statements made to them the unprejudiced foreign press correspondents recognized propaganda which was typically Japanese in character. However, they saw a considerable amount of industrial activity which will aid the Japanese armed forces in the Taiwan area materially.

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 2/9/39

agc.  
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 news

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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. Canton/131 FOR Despatch # -

FROM Canton (Myers) DATED Jan. 11, 1939.  
 TO NAME 1-1127 470

REGARDING: Sino-Japanese relations: Report concerning,  
 for month of December, 1938.

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

1. Japan.

(a) Japanese Military Operations in Kwangtung:

743.94  
 During December Japanese military forces in Kwangtung appeared to be concentrating chiefly upon the consolidation of their positions in the vicinity of Canton and along the Pearl River. Apparently finding it unnecessary to maintain a line of communications across eastern Kwangtung after the Pearl River was made navigable, the Japanese withdrew from the Biss Bay and Maichow areas to the vicinity of Tsengshing (增城), about forty miles east of Canton. They are reported also to have withdrawn their troops from the Canton-Kowloon railway south of Sheklung (石龍), which, at the end of the month, was occupied by the Chinese. From twenty to thirty miles north of Canton, Japanese lines extend westward from a point somewhat south of Tsungfa (從化), to the Canton-Hankow railway. Tsungfa and Fayuan (花縣), both north of Canton, were reoccupied by Chinese. To the west, Fatshan (佛山), Samshui (三水) and Kowkong (九江) are held by Japanese troops. The surrounding countryside, however, and territory to the south of these towns, including Kongmoon (江門), remain in the possession of the Chinese. South of Canton, in the delta region, Chinese irregulars are in control, and the Japanese are believed only to have

landed

Telegram of December 9, 6 p.m.; Despatch No. 4 of December 30 to the Department (Peiping, Chungking).

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

- 7 -

landed shore parties from time to time and to have shelled villages from the river. Information received early in December indicated that there were five divisions of Japanese troops in the Canton area.

(b) Continued Japanese Aerial Operations in South China:

Japanese air-craft continued to raid areas in northern and western Kwangtung and the principal cities of Kwangsi during December. It is reported that particularly severe raids on Kweilin on the 24th and 29th, followed by fire, resulted in the destruction not only of mission property previously referred to but also of large areas of the city. However, no further details of the damage caused by these attacks are yet available.

(c) Visit to Canton of Japanese Imperial Messenger:

A Japanese "Imperial Messenger" visited Canton during the month. Although no announcement of the reason for his visit was made, it is believed that he, a member of the Japanese Imperial household, conveyed greetings from the Emperor to troops in Canton and vicinity.

(d) Establishment of Japanese-Sponsored "Peace Maintenance Commission in Canton":

On December 20th, a "Kwangtung Peace Maintenance Commission" (廣東治安維持委員會) was established under Japanese auspices as the nominal civil government of Canton to succeed the "Preparatory Committee" formed in November. The new "Commission", which was inaugurated at a ceremony in the Sun Yat Sen Memorial Hall, attended by about five thousand

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\*Telegram of December 21, 3 p.m.; Despatch No. 3 of December 29, 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

- 8 -

thousand Chinese of the poorer classes, is to consist of ten members, seven of whom, obscure political figures, have been appointed. Divided into seven bureaus for administrative purposes, it is to have jurisdiction only in the city of Canton and not in other portions of Kwangtung Province. However, by the end of the month, the "Commission" had not participated actively in the government of the city, which remained under Japanese military rule.



7884

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

EMC

TELEGRAM RECEIVED

DIVISION OF FOREIGN  
 SERVICE ADMINISTRATION

DEPARTMENT OF STATE

Secretary of State

Washington

50, February 12, 8 a. m.

Hong Kong via N.R.

Dated February 12, 1939

FROM

Rec'd. 5 a. m.

*Feb. 12, Hong Kong Janic.*

OFFICE OF THE  
 SECRETARY OF STATE  
 DIVISION OF FOREIGN  
 SERVICE ADMINISTRATION  
 DEPARTMENT OF STATE  
 WASHINGTON, D. C.

193.94

note  
 193.1115

The Commissioner of Chinese Maritime Customs here tells me that he has authoritative first hand information that three Japanese cruisers on the morning of February 9th bombarded Hoihow on Hainan Island with probable heavy damage to property and life. He is somewhat concerned for the safety of the Commissioner and Assistant Commissioner of Maritime Customs there, both Americans, and has so far been unable to get in touch with them. The Commissioner <sup>F.</sup>Graff-Smith whose wife is with him and the Assistant Commissioner is H. E. Jackson; United States addresses unknown to this office. Further information about these Americans will be telegraphed if and when obtainable. Our efforts to obtain news of the other Americans on Hainan have been so far unsuccessful because telegraphic communication is practically suspended and Japanese Naval units have not permitted normal daily commercial ships to make their usual calls on the way up from the south to Hong Kong. The USS ALDEN is scheduled to leave Hong Kong for Haiphong on February 13 and presumably would be available

793.94/14689

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 FEB 13 1939

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

2 -- #50, February 12, 8 a. m. from Hong Kong

be available to call at Hainan en route for purpose  
investigating safety Americans. Repeated to Chungking,  
Peiping and Canton.

SOUTHARD

DDM  
EDA

088F

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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Department of State

Washington.

February 12, 1939

AMERICAN CONSUL

HONG KONG via NR. 1 pm

19

✓ Your 50, February 12, 8 a.m., in regard to  
Hoi How. 793.94/14689

If you have not already done so please repeat  
to the Commander in Chief of the United States  
Asiatic Fleet your telegram under reference.

HULL

WAA

FE:

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COMMUNICATIONS  
AND RECORDS

1939 FEB 12 PM 12 08

793.94/14689

F/FG

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

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

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

*Copy sent to  
 Treasury new*

5413

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EDA

PLAIN

FROM

CHUNGKING VIA N.R.

Dated February 12, 1939

Received 11:38 a.m.

Secretary of State

Washington

96, February 12, noon.

Following is semi-official CENTRAL DAILY NEWS ver-  
 sion of reported replies of General Chiang Kai Shek to  
 interrogatories of foreign correspondents at Chungking  
 on February 11 in regard to Japanese invasion of Hainan  
 Island "question: What is the intention of the Japa-  
 nese in effecting a landing of their troops at Hainan  
 Island? Answer: In order to applicate the significance  
 of the Japanese landing at Hainan Island and its reper-  
 cussions, we should consider the question of the Pacific  
 ocean as whole. /Island is an important strategical  
 point between the Pacific ocean and the Indian ocean.  
 Should the enemy occupy the island, not only would  
 communications between Hong Kong and Singapore and  
 also between Singapore and Australia be interrupted,  
 but also the security of the Philippine Islands and  
 Indo-China would be threatened. This would be the  
 beginning of Japan's naval dominance on the Pacific ocean.

When

793.94/14690

F/FG

793.94

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 AND M.I.D.

*Handwritten initials and marks:*  
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RECEIVED  
 FEB 13 1939

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

0414

WDA - 2 - #95, February 12, noon from Chungking

When the Island has come under Japanese control, the Japanese navy would be able to make its influence felt in the Mediterranean Sea to cut the connection between the American and British Naval bases in Singapore and Hawaii. Therefore the present Japanese movement at Hainan Island in reality is in the nature of a reply to the visit of the American warships to Singapore last year.

Question: Why is it that the Japanese landing at Hainan Island is considered a prelude to Japan's attempt at the control of the Pacific ocean? Answer: We all know that Japan has in mind three important strategic points in the Pacific: Saghalien Island in the north, Hainan Island in the west and Guam in the East. With a view to her complete naval domination of the Pacific, she has been keeping a covetous eye on all of the three bases. Should all these fall into her hands, both Hawaii and the Philippines would be as good as Japanese occupied territory. Having got possession of one-half of Saghalien Island, Japan is now trying to occupy Hainan Island in the hope of frustrating any possible concerted action that might be taken by the British and American navies in the Pacific. If such a scheme goes on unchecked, Japan will next attempt to place herself

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

5415

EDA - 3 - #95, February 12, noon from Chungking

in a position to control Guam. Eventually she would be able not only to hamper the westward movement of the American fleet, but also to cut the line of communication with the Philippines.

For the furtherance of her southward expansion and the dominance of the Pacific, Japan for thirty years has been scheming to build a strategic triangle out of the three islands. In 1936, when she provoked the Pakhoi incident, her intention was to use this as a pretext to establish herself on Hainan Island. For fear of international complications she dared not go any further than this. Now Japan, regardless of consequences, has invaded the Island. This move is the last desperate military attempt at the conquest of China if it is not for the purpose of inciting a world war. After several decades of hesitation, what Japan is now doing is the most important event since the commencement of the Chinese-Japanese hostilities, but it is also the turning point in the history of the Pacific ocean. Japan has thus revealed her inordinate ambition. I do not see how those countries which have vital interests in the Far East can watch with unconcern these dangerous developments. To the Japanese navy Hainan Island

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

5416

EDA - 4 - #95, February 12, noon from Chungking

Island is the first line of advance in the Pacific in the west as Guam Island is in the east.

Question: Where then is the second line of advance? Smiling, the Generalissimo said that the people in Europe would be able to answer the question and that particularly the Americans well know the answer.

Question: To what extent would the Japanese occupation of Hainan Island affect peace in the Far East? Answer: The attempt of the Japanese to occupy Hainan Island on February 10, may be considered a counterpart of their occupation of Mukden on September 18, 1931. In other words, by attacking the Island Japan has created another Mukden outrage in the Pacific. The effect from this is the same irrespective of the fact that one was committed on the land and the other in the sea.

It may be recalled that during the Mukden outrage all the statesmen of the world with the exception of Colonel Henry L. Stimson, then American Secretary of State, failed to give it serious consideration. This enabled the Japanese to extend its scope of invasion continuously. Eight years have passed, and during that period, Japan has created for herself a dominating position in the Orient and has hypnotized herself into the belief

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

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EDA - 5 - #95, February 12, noon from Chungking

belief that she is able to conquer the world. Should she be permitted to hold Hainan Island following the invasion of it, I believe that in a short time the foundation for her planned new air and naval base will be laid. As a consequence the international situation in the Pacific would undergo a great change. Even if France should then wish to establish a naval base in Indo-China, and the United States of America should desire to defend Guam, I fear that they would not have the needed time for doing so.

In making the present southward move Japan does not intend to use it for the termination of the Chinese-Japanese hostilities, but obviously she has made up her mind to run the risk of sowing the seeds for a war in the Pacific.

Question: What defensive measures has the Chinese Government taken in the Island? Answer: Because of her lack of naval forces China has not given much consideration to the defense of her coast line, but her land forces have made sufficient preparations and would do their utmost to prevent the enemy occupying the Island. As to the possible Japanese attack on Pakhoi, we have taken necessary precautionary measures and are ready to offer strong resistance. All military observers hold

the



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

418

EDA - 6 - #95, February 12, noon from Chungking

the same opinion that the enemy's attack on Pakhoi would only lead to it being placed in a more disadvantageous position without compensating benefits in its war of aggression.

Question: What is the effect of the Japanese landing at Hainan Island on the Chinese-Japanese hostilities? Answer: No, it has little effect on our war of resistance. The issue will be fought out on land. The occupation of an island is inconsequent".

The Chinese press on February 11 commented at length on these moves of Japan professing to see therein an added threat to the position of Great Britain, France and the United States in the Far East and calling for positive action on the part of these powers to check this activity. The SAO TANG PAO regards the invasion of Hainan as a step in Japan's southward expansion policy while the SIN HUA JIH PAO believes it was undertaken with a desire to prepare a base for attacks on Kwangsi. The CHINA TIMES says Japan's move on Hainan has three motives being: (one) to control Tongking Bay and threaten communications between Hong Kong and Singapore and incircle the Philippines as a "prelude to a diplomatic blackmail"; (two) to intimidate France and force the latter to suspend transportation facilities

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

8419

EDA - 7 - #95, February 12, noon from Chungking

facilities through Indo-China to China; and (three)  
the hope of severing one of China's international  
communication lines under the allusion that this will  
bring Japan one step nearer to scoring a speedy victory.

Repeated to Peiping.

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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 SENT

Department of State

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Washington,  
13

February 11, 1939

Naval Radio

AMEMBASSY,

PEIPING (CHINA). *via N.R.*

INFO: AMEMBASSY, CHUNGKING (CHINA).

*30 Thirteenth*

Reference Chungking's 98, February 12, noon.

✓

Unless you have already done so, please send to  
Embassy at Tokyo by airmail a copy of Chungking's telegram  
under reference.

Repeated to Chungking.

*793.94/14690*

*Hull  
(3.2.4.)*

793.94/14690

*111* FEB 13 1939 PM

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

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

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

D. C. R.—No. 50

1-1402 U. S. GOVERNMENT PRINTING OFFICE

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GRAY

Dated February 11, 1939

REC'd 11:27 a.m.

FEB 13 1921

793.94/14691

BULLITT

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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

5421

### TELEGRAM RECEIVED

JR

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

Paris

FROM Dated February 11, 1939

Rec'd 11:55 a.m.

Secretary of State,

Washington.

DIVISION OF  
EUROPEAN AFFAIRS  
FEB 11 1939

263, February 11, 10 p.m. (SECTION TWO) DEPARTMENT OF STATE

Last night a pessimistic view of the matter was expressed to us by Lagarde who, as Chief of the Levant Section of the Foreign Office, is closely in touch with the Mediterranean problem. Lagarde said that in his personal opinion the occupation of Hainan constitutes the most sinister sign of recent weeks. He interprets this move by the Japanese, who he believes are well informed as to the Berlin-Rome time-table, as one of the final steps preparatory to the precipitation of events by Mussolini. He said that the French Government would probably make a strong protest jointly with the British Government but that as France has weakened her naval forces in the Far East to strengthen her position in the Djibouti area she could not at this time hope to speak to Japan with any effect.

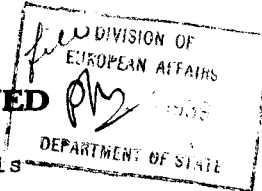
(END MESSAGE)

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KLP

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

**TELEGRAM RECEIVED**



5422

JR

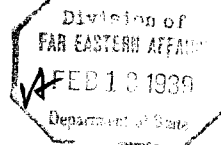
This telegram must be closely paraphrased before being communicated to anyone. (C)

Paris

FROM Dated February 11, 1939

Rec'd 11:45 a.m.

Secretary of State,  
 Washington.



Feb 13 1939

264, February 11, 2 p.m. (SECTION ONE)

793.94

We inquired this morning at the Foreign Office concerning the French reaction to the occupation of Hainan by a strong Japanese naval force. Hoppenot informs us that the seizure came as a brutal surprise to the French who were given no advance notification nor have they since been informed by the Japanese of the reasons for the action. Hoppenot referred to the informal understanding of over a year ago between the French and the Japanese which contemplated a status quo in Hainan on condition that the French would not permit the shipment of munitions over the Indo-Chinese Railroad to China. Hoppenot maintains that the French have faithfully observed their obligation under the arrangement and that there has been no shipment of munitions to the Chinese of any importance via Indo-China during the intervening months. Under the circumstances the French obviously regard the agreement with Japan concerning the transit of munitions across Indo China as terminated. (END SECTION ONE).

793.94/14692

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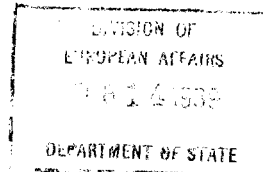
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5423

**TELEGRAM RECEIVED**

JR  
This telegram must be Paris  
closely paraphrased before being communicated  
to anyone. (C) Dated February 11, 1939  
FROM Rec'd 12:48 p.m.

Secretary of State,  
Washington,



264, February 11, 2 p.m. (SECTION TWO).

He believes that the Japanese action was taken at this time principally to rekindle the waning enthusiasm in Japan for the continuance of the war in China. The fact that Germany and Italy received advance notification is disturbing to the French who are not sure what interpretation should be placed upon it. He said that the French Embassy in Tokyo is being instructed to submit an energetic protest and that similar action will be taken by the British. According to Hoppenot's information the British situation is identic with that of the French in that the former have not been consulted in advance nor advised of the reasons for the Japanese action. Other than this diplomatic step no other demarche is contemplated at the moment. Hoppenot said that effort was being made to obtain further details of the occupation but communication with the French Consul in Hainan had apparently been cut.

(END OF MESSAGE)

BULLITT

EMB:ROW

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

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# TELEGRAM SENT

## Department of State

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Washington,

"C" and "B"

February 13, 1939.

7 p m

AMEMBASSY,

TOKYO (Japan).

793.94/14692 38

Strictly Confidential.

"C" { A telegram of February 11 from the Embassy at Paris which is repeated for your strictly confidential information reads as follows: QUOTE (Telegraph Section: Please insert here text of Paris' 264, February 11, 2 p.m., sections one and two, which is attached hereto) UNQUOTE.

"B" { With further reference to this subject the Embassy at Paris in another telegram of the same date reporting views communicated to the Embassy by Lagarde, Chief of the Levant Section of the Foreign Office, stated in part as follows: QUOTE Lagarde said that in his personal opinion the occupation of Hainan constitutes the most sinister sign of recent weeks. He interprets this move by the Japanese, who he believes are well informed as to the Berlin-Rome time-table, as one of the final steps preparatory to the precipitation of events by Mussolini. UNQUOTE.

793.94/14692

FE/JWB:JPS

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

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

D. C. R.—No. 50

1-1462 U. S. GOVERNMENT PRINTING OFFICE

FEB 13 1939 PM

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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. Foochow/131 FOR #90

FROM Foochow ( Ward ) DATED Dec 31, 1938  
TO NAME 1-1127 ...

REGARDING: Sino-Japanese situation: developments, bearing on conflict,  
of Dec., 1938.

FRG.

793.94 / 14693

14693

1. Japan.

793.94  
a. Planes reappear. As if only to accentuate the fact that Foochow had gone for five months without a single visit from Japanese aeroplanes, two of them appeared over the city on December 9, leaving again after reconnoitering over it for a quarter of an hour and dropping a few handbills but no bombs. The handbills were confiscated by the police, and the planes themselves were quickly forgotten by Foochow's populace.

b. Campaign for conscription. The week beginning December 19 and closing on Christmas Day was in Foochow dedicated to a propaganda campaign to popularize military conscription. The campaign was inaugurated by a mass meeting, reported to have been largely attended, and which was climaxed by the production by the Magistrate of Minhou Hsien of the hero of the occasion in the person of the young man who had sold his patrimony to subscribe money to the war and then offered his own services as a soldier in the ranks.

c. Ch'en answers his critics. The various newspapers published in the South Sea Islands by overseas Fukienese, most of whose editors are very critical of General Ch'en I, have recently been attacking him

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

-2-

him for attempting to restrain the members of a war-time service corps functioning in southern Fukien, and who were believed to be questioning the loyalty of the commanders of the 75th Division. In a lengthy and not very convincing telegraphic reply to his critics, the Chairman asserted that the organization of propaganda corps of whatever kind should of right be controlled by the Government.

190  
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

January 20, 1939.

PA/H

Mr. Hornbeck:

I started out to give you a brief summary, in line with our conversation of several days ago, of the discussion at the recent Foreign Policy Association meeting. I have carried on, however, with an expression of my own thoughts, stimulated by the discussion at the meeting, in regard to the Far Eastern situation, which may be of some use to you.

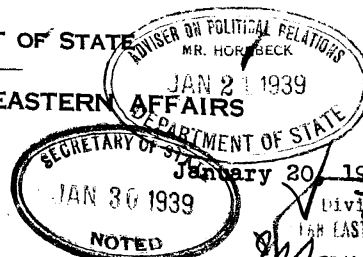
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Department of State letter, August 10, 1972  
By Milton D. Gustafson NARS, Date 12-18-75

DEPARTMENT OF STATE  
DIVISION OF FAR EASTERN AFFAIRS

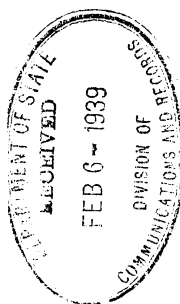


FE  
DOR

Dear Dr. Hornbeck:

In as much as you were unable to be present throughout the Foreign Policy Association meeting last Friday (the 13th) evening at the Cosmos Club, you may be interested in a brief summation of the discussion.

After Major George Fielding Eliot had spoken for about half an hour on the "military consequences of Munich", concluding his remarks with a plea for greater military preparedness on our part, there ensued the inevitable discussion of the "background of Munich". One of Major Eliot's major points was that the threat by Hitler to use his superior air force constituted a form of "international blackmail" which was effective in causing Chamberlain and Daladier to capitulate on the Czechoslovak issue rather than risk war. In reply to Senator Barkley's question as to why England and France had permitted Germany to attain such superiority in the air, Major Eliot explained that they had apparently not appreciated the seriousness of the situation and further that the willingness of Germany to risk war coupled with the fact of the greater vulnerability of English cities, as compared with German cities, might have been decisive factors



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

-2-

factors in determining Chamberlain's attitude, even though England had been prepared in the air.

At this point Louis Fisher (American journalist for many years in Europe) came forward with a refutation of the theory that the threat of a German air offensive had been decisive at Munich. He cited the historical precedents of Manchuria, Ethiopia, and Spain to indicate that England, or the British Government, had been willing to sacrifice principle to expediency (expedient adjustments) when a threat of an air attack was not a consideration. Mr. Fisher referred to the statement in the President's message to Congress to the effect that the instinct of self-preservation should warn us that we ought not to permit neutrality laws to operate to give aid to an aggressor and deny it to a victim, and in conclusion he (Mr. Fisher) advocated the removal of the embargo against shipments to the Spanish Government as one of a number of measures which would give definite and effective encouragement to the European nations that were opposed to the fascist states. Jerome Frank (SEO) undertook to point out that the situation in Europe, with special reference to British policy, did not seem to warrant the sanguine prediction with which Mr. Fisher had concluded his remarks.

Dr.

090

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

-3-

Dr. William Johnstone (George Washington University) asked Major Eliot if he thought that the proposed fortification of Guam implied pursuit of more than a defensive policy in the Pacific, to which Major Eliot replied to the effect that he hoped it did not.

Barnet Nover (special writer for the Washington Post) and Jay Allen (American journalist who has spent much time in Spain) advocated the use of financial and economic pressures to strengthen the position of the democratic nations and curtail the aggressive actions of the fascist nations. Mr. Allen developed the thesis that reliance by the United States solely upon military weapons for defense (weapons which the fascist powers were prepared to employ offensively) while neglecting to employ economic and financial weapons (weapons which the fascist powers were not in a position to employ effectively) was shortsighted and lacking in perspicacity.

The discussion with regard to an American defense program might be summed up as one revolving around the question as to whether our defense should be simply against possible military aggression directed against the western hemisphere or whether we should not endeavor to defend ourselves in advance against the development of situations in other areas which would probably bring this country into war; in short, whether

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

-4-

a plan of military defense should not be coordinated with a foreign policy the purpose of which would be the prevention of developments likely to lead us into war. My estimate is that a large majority of those present were of somewhat the same mind as Mr. Nover and Mr. Allen, that is, that the majority opinion of the gathering was in favor of a plan for coordinated military and foreign policy defense as outlined above.

The general feeling of the gathering was neither isolationist nor internationalist. Rather, it seemed to take a middle course, favorable to international cooperation when feasible and in line with this country's policies and interest, favorable to the employment of economic pressure, carefully gauged so as not to lead to hostilities, when cooperation proves futile, and favorable to an increased national military defense as a necessary, albeit stupid, safeguard and alternative to international cooperation.

Although the situation in the Far East was mentioned only incidentally in connection with the general discussion of defense, it appeared evident to me that the employment of "economic weapons" in that area would meet with the approval of at least the majority of those present.

From



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-

From my point of view, it is in the Far East, as distinguished from Europe, that we should give primary consideration to the employment of our "economic weapons" for it is there that this country has an opportunity, without undue risk of involvement, to weaken the vicious circle of fascist aggression, to circumscribe the extension of a system of government which is inimical to our system of government and to our principles and interests, and to give encouragement to the powers in Europe whose objectives are in many respects similar to ours. It is not unreasonable to anticipate that a Japan in control of China would be an element of strength to the fascist powers in Europe, especially to Germany vis-a-vis Russia; that a Japan which had consolidated its military position in China would, under the impulsion and guidance of the military group holding the reins of government, seek very soon to expand southward. The latter development might readily take on a character and assume proportions menacing to us. "Japan," Walter Lippman points out correctly in a recent article, "has indicated that as an expanding empire she does not limit her ambitions to the Asiatic continent." Mr. Lippman further states that,

"They (the Japanese) are pointed southward through the Pacific Ocean toward the Philippines and the Dutch East Indies; . . .

"Now

3909

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

-6-

"Now it is one thing for the United States to consent to the conquest of China; it is a wholly different thing for the United States to consent to the creation of a great maritime empire, so formidable and so aggressive. The American people . . . would not care to have to build a navy adequate to defend the American position in Hawaii against the kind of navy Japan could create if she controlled the resources of the East Indies, dominated Australia, had pushed Great Britain and France out of the Pacific Ocean, and had a stranglehold on the supply of rubber.

"For what the Japanese army does in Asia does not concern us vitally. But what the Japanese navy does, and what it may become, must be a matter of great concern at all times."

It may of course be argued that the Japanese will not succeed in consolidating their position in China or that, even though the army secures its military position in China, the task of administering and developing China will keep the Japanese occupied, to the exclusion of other ventures, for many years to come. The latter argument was used in 1931 in the case of Manchuria and I believe exercised considerable influence in forming British policy at the time. Events have all too soon proved its fallacy. It cannot be too often and too strongly emphasized that the Japanese military is an aggressive force which is motivated by a passion for conquest and is not influenced, except in cases of absolute necessity, by consideration of economic forces and consequences. With regard to the argument that the Japanese may not succeed in consolidating their position

in

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

b

1424

-7-

in China, is it not reasonable to suggest that, in view of the serious consequences that might flow from a Japan successful in China, it would be shortsighted in formulating policy to gamble on the chance that Japan will be unsuccessful in China, shortsighted to refrain from endeavoring to neutralize the advantages and circumscribe the scope of Japan's aggressive program in the hope that time will take care of the problem, in the hope that a situation actually menacing to us will not grow out of the present potentially dangerous situation? Is it not probable that Japan can succeed in China if aided financially by England and America; that Japan may succeed in China without aid from America and England; that Japan cannot succeed in China to an extent that will make possible further aggression, if America and England wisely employ the economic weapons at their disposal?

793.94/14694

Mild measures of economic pressure to be applied to Japan have been frequently discussed and readily occur to mind: abrogation of the 1911 Commercial Treaty, denial of financial assistance to Japan, modification of Section 338 of the Tariff Act of 1930 to allow for restrictions upon Japanese imports into this country because of discriminations against us set up by Japan in

Manchuria

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

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-8-

Manchuria and China, curtailment of shipment of certain war materials to Japan, et cetera.

The question naturally arises: Can these -- would these -- measures get Japan out of China? The answer is no. It is believed that nothing short of defeat in war would, within the foreseeable future, "get Japan out of China". But the objective of the measures contemplated is not to "get Japan out of China", as desirable an accomplishment as that would be. The objective is to prevent Japan from consolidating her position in China and drawing sufficient strength therefrom to allow for further aggressive action in other fields which would seriously menace our interests and probably lead us to war.

Also to be considered in connection with the measures contemplated and their objective is the very great importance of there being kept in existence an independent Chinese Government and an independent Chinese domain, independent of Soviet Russia as well as of Japan, which would furnish the support and stimulus to continued Chinese resistance and serve to make insecure Japan's position in the portions of China under its control, and which would prove distinctly troublesome to Japan should she become involved elsewhere. Financial assistance to the Chinese Government, in the form of rehabilitation loans, material credits, et cetera, would contribute substantially toward that end.

The

*This has been the American view for 100 years - at all times.*  
sett

391

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-

The employment of economic pressure raises of course the question of Japanese retaliation. The field of Japanese commercial retaliation is admittedly limited. Japan is now purchasing from this country only those commodities which are necessary to her and it is unlikely that she will stop making those purchases, unless prevented from doing so by us or by financial inability. In so far as action directed against American trade and interests in China is concerned, that trade and those interests are now receiving scant consideration and may be expected to receive less and less consideration, irrespective of action taken by us, as Japan becomes surer of her position in China. With regard to the fear that Japan might risk war with us -- might attack the Philippines -- in retaliation for economic measures taken against her, I find little in the situation to support such a fear. If Japan could find in the Philippines the means to counteract the losses occasioned by economic pressures; if the Japanese military were not fairly well occupied in China; if Japan did not have a potentially hostile Russia north of Manchuria -- then a fear of war might be warrantably entertained, but it seems to me that, the situation being what it is, the very slight chance of involvement with Japan is one which we could and should take in order to attain the objectives outlined; that is, prevention of the development of a situation

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

5427

-10-

situation in which the chances of our becoming involved with Japan "would be measurably greater than would be the chances of our becoming involved in the present conflict were we now to render reasonable assistance to China"\* and adopt measures to decelerate the Japanese aggressive movement.

I believe that, in adopting the non-military economic measures envisaged, limited in scope and character to conform to our desire to avoid involvement in the conflict in China, we would, without danger and with small relative cost to ourselves now, be furthering objectives dictated by an enlightened national self-interest.

\* My memorandum of July 23, 1938, addressed to you.

FE:Vincent:HES

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

## TELEGRAM RECEIVED

EDA

This telegram was received MARDET TIENTSIN  
in Navy cipher and must be FROM  
closely paraphrased before  
communicated to anyone

ACTION OPNAV

INFO COM MAR FORCES NORTH CHINA  
CINCAF  
FOURTH MARINES  
ALUSNA PEIPING



0013. No movements Jap troops or wounded reported  
through Chinwangtao during past week. 0830.

HPD

793.94/14695

F/FG

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

## TELEGRAM RECEIVED

EDA

GRAY

FROM HONG KONG VIA N.R.  
Dated February 13, 1939  
RECEIVED 6:30 a.m.

Secretary of State

Washington

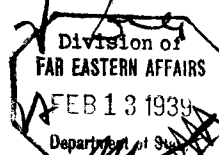
51, February 13, 11 a.m.

Referring to Department's No. 19 of February 12, 1 p.m., the information contained in my February 12, 8 a.m. has already been conveyed directly to the Commandrr of the South China Patrol who has just now informed me that he is leaving today at 4 o'clock on the USS JOHN D EDWARDS for Hoihow. We have so far no further reliable news from Hainan. For the next several days there will likely be no naval vessel at Hong Kong and I accordingly suggest that any priority messages for this office during the period be sent via commercial cable. In the absence of a naval vessel at Hong Kong, this office will presumably not be able to relay with facility the considerable number of telegrams which normally come to it from various offices in China for that action. Repeated to Canton, Shanghai, Chungking, Peiping.

Shanghai please transmit to Commander-in-Chief Asiatic Fleet.

SOUTHARD

DDM:WVG



793.94/14696

F/FG



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

5428

**TELEGRAM RECEIVED**

EDA

GRAY

TOKYO

FROM

Dated February 14, 1939

Received 3:17 a.m.

Secretary of State

Washington

88, February 14, noon.

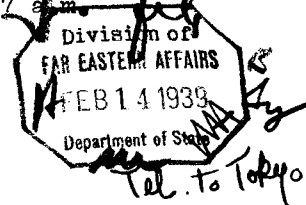
Acting under instructions from their respective

793.94  
note  
193.94/12 governments the French Ambassador yesterday and the  
British Ambassador today inquired orally of the Minister  
for Foreign Affairs as to the purpose, character and dura-  
tion of the occupation by Japanese forces of Hainan. The  
Minister replied that the purpose of the occupation was  
to intensify the blockade of the South China coast, that  
the character was military and that the duration would  
depend upon military considerations.

CONFIDENTIAL. Arita added to Craigie that the  
occupation would not (repeat not) be permanent.

GREW

RR



FEB 15 1939

793.94 / 14697

F/A

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

*Copy sent to  
Hearmy new*

**TELEGRAM RECEIVED**

JR

**PLAIN  
FROM**

Shanghai via N. R.

Dated February 14, 1939

Rec'd 7 a.m.

Secretary of State,  
Washington.

118, February 14, 11 a.m.

Following is a summary of editorials appearing in the  
local papers concerning Japanese occupation of Hainan  
Island:

The NORTH CHINA DAILY NEWS referring to the assurances  
given by the Japanese Government concerning the temporary  
nature of the occupation remarks "this temporary  
occupation will have about it that degree of permanency  
which will be wholly unacceptable to either Great Britain  
or France". This journal expresses the belief that while  
these two powers are now preoccupied there will come a  
day of reckoning in the Far East. It also sees in the  
occupation of Hainan a "useful device to maintain the  
interest of the Japanese public in a war which is  
beginning to <sup>PALL</sup> ~~fall~~ upon them."

The EVENING POST and MERCURY says "the Hainan  
invasion is a rather daring adventure from the international  
point of view" and continues "there is a real possibility  
of a serious clash with France which walks softly but  
carries



793.94/14698

F/FG

WLB  
3/6/39

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- #118, February 14, 11 a.m., from Shanghai via N. R.

carries a big stick".

The CHINA PRESS is of the opinion that "Japan's invasion of Hainan is undoubtedly meant to be a test to see whether France, Britain and the United States are ready to stand together".

The Chinese press believes that the significance of the Japanese action is international and aimed directly at the British and French lines of communication in the Far East.

The Japanese papers stress the strategic importance of Hainan and hint that it was occupied because the "French Government has been turning a deaf ear to repeated Japanese protests concerning the use of Annam as a military supply base for the Kuomintang". One Japanese daily roams further afield and urges Japan to demand the withdrawal of French troops from the Paracel Islands which France is described as having illegally seized.

Repeated to Chungking and Peiping.

By mail to Tokyo.

GAUSS

DDM

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

## TELEGRAM RECEIVED

JR

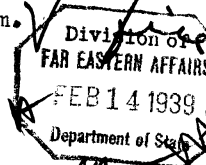
FROM GRAY

Peiping via N. R.

Dated February 14, 1939

Rec'd 7 a.m.

Secretary of State,  
Washington.



82, February 14, 2 p.m.

Department's 30, February 13, regarding the forwarding  
by air mail to Tokyo of Chungking's 98, February 12, noon,  
to the Department, on the subject of Chiang Kai Shek's  
interview with the press. Chungking's telegram in question  
was forwarded by air mail to Tokyo February 13.

In order that the Department may know the customary  
procedure here in handling incoming telegrams, this  
office forwards to Tokyo either by telegraph or air mail  
true readings or code texts of all such messages in which  
it would appear that Tokyo might be concerned or  
interested, on subjects relating to the present Sino-  
Japanese situation, especially telegrams of a political  
nature and those affecting American persons, rights and  
interests. This does not apply to messages repeated to  
Tokyo by the office of origin and so designated.

Repeated to Chungking.

LOCKHART

WWC:DDM

793.94/14699

F/A

note  
124.936

1921

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

DEPARTMENT OF STATE

ADVISER ON POLITICAL RELATIONS

Division of  
EASTERN AFFAIRS  
JAN 31 1939  
Department of State

January 27, 1939.

FEB 2 - 1939

Mr. Secretary:

U.

Mr. Welles:

FE.

Mr. Hamilton:

JAN 30 1939

NOTED

UNDER SECRETARY OF STATE  
JAN 30 1939  
MR. WELLES

793.94/14642

Reference, Tokyo's telegrams 41 and 42, January 24,  
10 a.m. and 3 p.m. (copies attached).

My reaction to the "information" given the British Ambassador at Tokyo, as reported, by Mr. Kodama, is that we should be more skeptical of its value than the Embassy, as indicated in paragraph four of telegram No. 41, appears to have been. Mr. Grew says, "The foregoing observations, as reported to me, lack precision but they at least indicate the way in which the wind appears to be now blowing in central China." To me, the "observations" made to the British Ambassador by Mr. Kodama merely reflect the attitude, feeling and hopes of an individual. Mr. Kodama (who is a gentleman of the now less influential pro-Anglo-Saxon school) was apparently trying to do what so many prominent Japanese over a long period of time have sought to do in conversations with "foreigners", especially influential personages: namely, to dispel apprehension and impart an optimism, which they themselves perhaps sincerely feel -- that, Nature taking its course,

793.94/14700

F/FG 14700

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

- 2 -

course, everything will soon be "all right" -- but  
which indicate not "the way in which the wind" is blowing  
but the way in which they as individuals feel it to be  
blowing or hope it will blow.

SKH  
Stanley K. Hornbeck

PA/H:SKH:ZMK

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

*Copy in paraphrase  
sent to Treasury  
in confidence*

**TELEGRAM RECEIVED**

JR

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

FROM Chungking via N. R.

Dated February 14, 1939

Secretary of State,  
Washington.

101, February 14, noon.

The Embassy learns from a Chinese military source  
that one division of ten thousand Chinese regular troops  
from Kwangtung is on Hainan Island and that in addition  
upwards of one hundred thousand local militia are available  
for military use. Informant stated that military supplies  
on Hainan Island are adequate that there is no (repeat <sup>no?</sup> not)  
thought of withdrawal of Chinese forces from <sup>Hainan Island</sup> (A) and  
that guerrilla warfare will be waged from the mountains  
on the island.

Repeated to Peiping.

PECK

HTM:KLP

*Paraphrase  
COPIES SENT TO  
ONLY A  
in confidence*

Division of  
FAR EASTERN AFFAIRS  
FEB 14 1939  
Department of State

793.94/14701

FEB 21 1939  
RECEIVED

F/FG

*793.94*

*101/2/39*

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

P A R A P H R A S E

A telegram (no. 101) of February 14, 1939 from the American Embassy at Chungking reads substantially as follows:

A Chinese military source has informed the Embassy that there is no thought of withdrawal from Hainan Island of Chinese troops; that adequate military supplies are available there; that, using the mountains as a base, guerrilla warfare will be waged; that local militia to the number of more than 100,000 are available for military use besides one division of Chinese regular troops which is on the Island. This division numbers 10,000 men and is from Kwangtung Province.

793.94/14701

FE:JKP:HJN  
2/15/39

g.c.  
E. FE  
AMW



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

*Copy to Treasury  
(in paraphrase) for  
Confidential*

**TELEGRAM RECEIVED**

JR

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

FROM

Peiping via N. R.

Dated February 14, 1939

Rec'd 7 a.m.

Secretary of State,  
Washington.

83, February 14, 3 p.m. (GRAY)

Embassy's 18, January 11, noon.

One. The Japanese claim to have cleared southwestern Shansi of guerrillas and troops formerly under Yen Hsi Shan, but whether their occupation will be permanent or only temporary as in the past remains to be seen. Continuing attempts to cross the Yellow River from Fanglingtu, Shansi, to Tungkuan, Honan have failed as have attempts to cross in Shensi from southwest Shansi near Yumenkou. There have been repeated artillery duels at the Tungkuan crossing and, according to reports from Chinese circles that the defenders of Szechuan (END GRAY) have been reinforced by heavy artillery and gunners from Soviet Russia. As part of their campaign to cut the route of Chinese supplies from Soviet Russia via Sinkiang and Shensi Japanese planes have been bombing Sian, Lanchow and other places. Air raids against Tungkuan have reportedly been comparatively unsuccessful because of high

793.94/14702

F/FG

5430

-2- #83, February 14, 3 p.m., from Peiping.

high range Russian antiaircraft guns there.

(GRAY) Two. While the Japanese have for several months kept East Hopei clear of guerrillas there appears to have been no diminution of guerrilla activities in south and central Hopei and northern Honan. According to a foreign traveller the Pinghan Railway from Chengchow, Honan, south to Kwangshui Hupeh (a distance of 110 miles) has been entirely removed by Chinese, the road bed ploughed into fields and the rails and sleepers used to extend the Lunghai westward. A foreigner coming recently from Paoting states that guerrilla attacks upon the south suburb of that city continue at night as do attacks upon the Pinghan Railway especially south of Paoting. He states that the Japanese troops at Paoting are clearing the western territory of Chinese, presumably to accommodate an increased garrison and to prepare for the projected establishment there of the puppet Hopei Provincial Government.

Three. There have been no attacks on the Peining Railway since January 11 (Embassy's 26, January 13, 9 a.m., and 23, January 12, noon, paragraph 4). Repeated to Chungking. Text by mail to Tokyo.

LOCKHART

WWC:HTM

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

PARAPHRASE

CONFIDENTIAL

A telegram (no. 85) of February 14, 1939 from the American Embassy at Peiping reads substantially as follows:

The Japanese claim to have cleared southwestern Shansi of guerrillas and troops formerly under Yen Hsi-shan, but whether their occupation will be permanent or only temporary as in the past remains to be seen. Continuing attempts to cross the Yellow River from Fenglingtu, Shensi, to Tungkuan, Honan have failed as have attempts to cross in Shensi from southwest Shensi near Yumenkou. There have been repeated artillery duels at the Tungkuan crossing and Soviet Russian gunners and heavy artillery have, according to reports from Chinese circles, been reinforcing the defenders of Szechuan. <sup>The use of</sup> Russian anti-aircraft guns of high range has, according to reports, rendered comparatively unsuccessful air raids against Tungkuan. Lanchow, Sian and other places have been bombed by Japanese planes. This bombing has been carried out as a part of the Japanese campaign to cut the Soviet Russian-China supply route which goes by way of Shensi and Sinkiang.

While the Japanese have for several months kept East Hopei clear of guerrillas there appears to have been no diminution of guerrilla activities in south and central Hopei and northern Honan. According to a foreign traveller the Pinghan Railway from Chengchow, Honan, south

1793.94/14702

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-

CONFIDENTIAL

south to Kwangshui Hupeh ( a distance of 110 miles) has been entirely removed by Chinese, the road bed ploughed into fields and the rails and sleepers used to extend the Lunghai westward. A foreigner coming recently from Paoting states that guerrilla attacks upon the south suburb of that city continue at night as do attacks upon the Pinghan Railway especially south of Paoting. He states that the Japanese troops at Paoting are clearing the western territory of Chinese, presumably to accommodate an increased garrison and to prepare for the projected establishment there of the puppet Hopei Provincial Government.

There have been no attacks on the Peining Railway since January 11 (In this connection see Embassy's 26, January 13, and 23, January 12.)

793.94/14702

FE:JKP:HJN  
2/15/39

E.C.  
FE  
RWH

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

*Copy sent to  
Treasury*

**TELEGRAM RECEIVED**

MY

GRAY

Canton Via N.R.  
FROM

Dated February 14, 1939

Rec'd 3:25 p.m.

Secretary of State

Washington

24, February 14, 5 p.m.

Reference Hong Kong's 50 and 51 February 12, 8 a.m.

and February 13, 11 a.m.

The Japanese Consul General has just informed me that word has been received from Hainan that all foreigners in Hoihow and Kiungchow are safe.

Repeated to Chungking, Peiping, Hong Kong.

MYERS

NPL  
ROW

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



793.94/14703

F/FG

1929

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 893.00/14325 FOR Tel #6; 9pm

FROM Tsinan (Hawthorne) DATED Feb 10, 1939  
TO \_\_\_\_\_ NAME \_\_\_\_\_ 1-1127 \*\*\*

REGARDING: Shih Yu San withdrawn from Shantung because of his intention to throw his lot with Japanese. General Yu Hsueh Chung, commanding troops in southeastern Honan, is ignoring Chiang's orders, awaiting opportunity to declare allegiance to the Peiping Government. Foregoing according to allegations of Japanese.

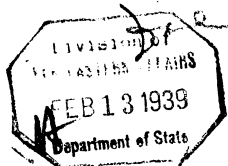
FRG.

793.94 / 14704

14704

1931

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

FEB 11 1939 February 11, 1939.

NOTED

Mr. Secretary:

Reference is made to the Japanese military occupation of Hainan Island on February 10, which was officially confirmed in a statement issued by the Japanese Foreign Office spokesman who said, inter alia, that the action did not violate the Franco-Japanese agreement of 1907 and that the operations were for the purpose of exterminating the Chinese military forces on the island.

The following brief summary indicating the diplomatic background of French interest in Hainan Island may be of interest: In 1897, in reply to a communication from the French Minister to China in regard to the desire of France that the Island of Hainan be not alienated or ceded by China to any other foreign power, the Chinese Office of Foreign Affairs stated: "Our Yamen (Office) considers Kiung-chou (Hainan) as belonging to the territory of China which consequently exercises over it right of sovereignty. How could it cede it to foreign nations? . . . " In 1907 an agreement between France and Japan provided that "the French and Japanese Governments . . . undertake to support each other mutually in order to assure peace and security in these regions of the Chinese Empire in the neighborhood of territories

where

793.94/14705

F/FG

14705

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-

where they have rights of sovereignty, protection, or occupation), with a view to maintaining the respective situation and the territorial rights of the two High Contracting Parties on the Asiatic Continent." (Translation from the French.)

It does not appear that the American Government has ever recognized any special French interest with regard to Hainan Island. The island is Chinese territory and the alienation of the island by Japan (or any other power) would, in our opinion, constitute an impairment of the territorial integrity of China.

In our view, the question of the occupation of Hainan is one bound up with the larger issue of Japanese occupation of Chinese territory. On September 14, 1937, in connection with reports that the Japanese planned to occupy Pratas Reef in the neighborhood of Hainan Island, the Department authorized Mr. Grew to make an approach to the Japanese Government and to express confidence that it was not the intention of the Japanese Government to alienate Chinese territory. In May 1938 the question again arose of Japanese occupation of Chinese islands and at that time the British and American Ambassadors in Tokyo were agreed that representations to the Japanese Government would serve no useful purpose.

In



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

-3-

<sup>September,</sup>  
 In ~~June~~, however, Great Britain and France are reported to have informed the Japanese Government that occupation of Hainan Island by the Japanese would be likely to cause undesirable complications. With regard to the present occupation of the island, we do not know as yet whether the British and the French contemplate making representations to Japan.

In connection with the occupation it is understood that very little fighting took place and that the Americans, who are mostly missionaries, have suffered no harm.

There is attached an excerpt from a report prepared by the Office of Military Intelligence, War Department, which is of interest in connection with the occupation of Hainan Island. 3/4/8

Attachment:  
 Excerpt from report of  
 Office of Military Intelligence, War Department (G-2).

*FE*  
 FE:Vincent:HES:REK

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

EXCERPT FROM

G-2 Digest of Information  
 Sino-Japanese Situation  
 January 27 - February 10, 1939.

1. MILITARY OPERATIONS

a. On February 10 official announcement was made in Tokyo that a landing had been made at an undisclosed point on the island of Hainan by Japanese military and naval forces. Subsequent news reports indicate the capture of the port of Hoihow on the northeast coast of the island. This event was in sequence to the announced occupation of Waichow Island, 35 miles south of Pakhoi on January 31, on which a landing field was installed, and the reported presence in that vicinity of a water-borne expedition, estimated by some sources to be as large as a division and a half. It is believed that the maximum size of the military expedition is one division. The Chinese garrison of Hainan Island is estimated at one division. The island is large, comparable in size to Formosa, and has a population estimated at 3,000,000. Its topography is mountainous, with a single central range sloping down in all directions to a coastal plain, which is largely devoted to the growing of rice. Hoihow, the principal port, is the outlet for the produce of that section of the plain which is widest and most intensively cultivated. In June, 1938 it was announced in the British Parliament that Great Britain and France had informed the Japanese Government that a Japanese occupation of this island would be "likely to cause undesirable complications."

Comment: Militarily the Hainan expedition is a dispersion of force. Politically it may mark the adoption to some extent of the policy advocated by the Japanese Navy of advance to the South. Even more important politically are the implications vis-a-vis Great Britain and France. Hainan has long been claimed by the latter country as coming within her sphere of influence. The island effectively blocks the Gulf of Tongking and lies on the flank of the communications line: Singapore--Hong Kong. It is most likely that the invasion has as one of its objects the intensification of pressure on France to prevent the importation of munitions into China through Indo-China. It is possible that the operation is a portent of other pressure about to be exercised against Great Britain and France by the axis powers.

1934

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



February 20 1939 CLARENCE H. NEWTON  
SECRETARY-TREASURER

THE CHETOPA OIL AND GAS DEVELOPMENT CO.  
CHETOPA, KANSAS

1939 FEB 15 PM 2 03 Feb. 13, 1939

793.94

Hon. Cordell Hull,  
Secretary of State  
Washington, D.C. AND RECORDS

ack'd  
Division of  
FAR EASTERN AFFAIRS  
FEB 16 1939  
Department of State

Dear Sir:

Recent AP dispatches from the Orient have brought us the news that the Japanese have at last landed troops and apparently taken possession of the "strategic" island of HAINAN off the south coast of Kwangtung province, China. The writer of this letter lived for twenty years in Hainan in connection with the American mission there. I made many trips to all parts of the island and did considerable route surveying visiting the towns and villages of the interior including the parts occupied by the aboriginal tribes, also exploring the harbors and inlets on the coast.

On one occasion, some twenty years ago, a note was received from the American admiral, in command of our fleet in South China waters at that time, asking for information about the east coast and asking if it would be possible to land sailors there, and if it would be possible for the boats to get up the river as far as the mission station of Kachek.

Just before the war I led an expedition into the interior occupied by the tribes of wild aborigines. This party consisted of H.B.M. consul Pearson from Hoihow, and an English officer of the R.G.A. Hongkong, a Lt. Simonds. When in Hongkong some months later I was surprised to learn from Simonds that they had given my name to the military intelligence department authorizing them to call upon me for information at any time and for assistance in case they should want to do any more exploring. As I left soon after that I was never called upon.

I have taken the liberty to write to you wondering if in case of possible developments in the situation out there I might have any information in my possession which could be of possible use to your department. By way of identification let me state that I was a college classmate of Ed Duffield, Gen. Dick Coulter and Jesse Lynch Williams of Princeton, am President of the Board of Education of Chetopa, am a member of the local Chamber of Commerce, and general manager of our small oil field near this place.

Sincerely yours,  
Clarence H. Newton  
Clarence H. Newton

FEB 20 1939

793.94/14706

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

February 20 1939

In reply refer to  
 FE 793.94/14706 -

My dear Mr. Newton:

The receipt is acknowledged of your letter of February 13, 1939, in which you refer to your long residence in Hainan and suggest that you may have in your possession information which would be useful to the Department in the event of possible developments in the situation in that area.

The contents of your letter have been noted with care and your kind offer of assistance in case necessity therefor should arise is very much appreciated.

Sincerely yours,

For the Secretary of State:

*M. H. Hamilton*  
 Maxwell M. Hamilton  
 Chief

Division of Far Eastern Affairs

Mr. Clarence H. Newton,

Secretary-Treasurer, The Chetopa

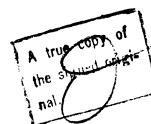
FEB 18 1939 PM

Oil and Gas Development Company,

Chetopa, Kansas.

*EGC.*  
 FE:EGC:HJN  
 2/18

FE



793.94/ 14706

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

TELEGRAM RECEIVED

FROM

LEGAL ADVISER  
FEB 21 1939  
DEPARTMENT OF STATE

EDA

This telegram was received  
in Navy cipher and must be  
closely paraphrased before  
being communicated to anyone

CINCAF

February 16, 1939

Received 7:15 a.m.

ACTION OPNAV

INFO CINCAF ADMIN.  
COMSOPAT

Division of  
FAR EASTERN AFFAIRS  
FEB 16 1939  
Department of State

0016. In view of warning by Japanese navy that  
after sunset February 17 all foreign vessels must clear  
area within thirty miles Haimen in Chekiang or accept  
risks involved, it is probable that military operations  
against Haimen and Wenchow are contemplated in near  
future. 0325.

DDM

793.94/14707

F/FG

193

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

TELEGRAM RECEIVED

LEGAL ADVISER  
 FEB 18 1939  
 DEPARTMENT OF STATE

431

DE

EDA

GRAY

FROM

SHANGHAI VIA N.R.

Dated February 16, 1939

Received 10:55 a.m.

Secretary of State

Washington

124, February 16, 1 p.m.

A letter dated February 15, addressed by the Japanese

Consul General to the Senior Consul quotes the following  
 notice received by him from the Japanese naval authorities:

"The Imperial Japanese Navy has decided to start  
 shortly an operation at Haimen at Taichow Bay Chekiang  
 Province and its vicinity. It is therefore requested  
 that all the vessels of third powers now at or near Haimen  
 should evacuate by sunset on the 17th of February 1939  
 to a distance sufficient to avoid danger, at least outside  
 a radius of 30 nautical miles of Haimen.

The Imperial Japanese Navy will not hold themselves  
 responsible for any loss or damage sustained by any vessel  
 remaining within the aforesaid region after the specified  
 time."

Interested American firms notified.

Repeated to Chungking, Peiping and Tokyo.

GAUSS

KLP

793.94

WBS  
 5/4/39

793.94/14708

F/A

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

EDA

This telegram must be \_\_\_\_\_ Chungking via n.r.  
closely paraphrased  
before being communi-  
cated to anyone (br)

FROM Dated February 16, 1939

Received 7:15 a.m.

Secretary of State

Washington

105, February 16, 10 a.m.

*paraphrase*  
*SENT TO*  
*CONFIDENTIAL*  
*DT*

Division of  
FAR EASTERN AFFAIRS  
FEB 16 1939  
Department of State

793.94

A foreign military adviser yesterday informed the Assistant Military Attache that he had reliable information that the Japanese now have 40 four-engined Junkers type bombers divided between Nanking and Hankow possessing much greater cruising range than bombers hitherto employed. The adviser deduced that the Japanese intend to depend more on bombing raids against various centers in West China for the suppression of Chinese resistance than on land operations.

Repeated to Peiping. (END SECTION ONE).

793.94/14709

FEB 16 1939

RECEIVED

F/A

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. (br)

Chungking via N. R.

FROM Dated February 16, 1939

Rec'd 7:15 a.m.

Secretary of State,

Washington.

105, February 16, 10 a.m. (SECTION TWO).

The general impression among foreign observers here  
is that the Chinese are unwilling to employ foreign  
fliers to pilot defense planes against Japanese bombers  
(presumably because such foreign fliers would subject  
Chinese fliers to unfavorable comparison) and that Chinese  
fliers are reluctant to engage in defense operations  
against Japanese planes. The popular expectation here is  
therefore that while the Japanese have recently been  
fairly active in bombing expeditions the advent of clear  
spring weather will see Chungking, Chengtu and other  
cities subjected to intensified air attacks.

Repeated to Peiping. (END MESSAGE)

PECK

WWC:DDM



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

(CONFIDENTIAL)

CONFIDENTIAL

P A R A P H R A S E

A telegram (no. 105) of February 16, 1939, from the American Embassy at Chungking reads substantially as follows:

There exists generally among foreign observers in Chungking the impression that Chinese aviators are loath to take part in defense activities against Japanese airplanes and that the Chinese are not willing to use foreign aviators to pilot defense planes against Japanese bombing planes. The reason for this unwillingness is, it is assumed, that foreign aviators would by comparison place Chinese aviators in an unfavorable light. Therefore, it is generally anticipated in Chungking that, although lately there has been a fair amount of activity in bombing expeditions by the Japanese, Chengtu, Chungking, and other cities will be bombed more intensively with the coming of clear weather in the spring. The American Assistant Military Attaché was informed on February 15 by a foreign military adviser that he was reliably informed to the effect that at the present time there are forty Junker type Japanese bombing planes, with four engines each and having much greater cruising range than bombing planes used in the past, divided between Hankow and Nanking. The foreign military adviser inferred that it is the intention of the Japanese to rely more on bombing attacks against various West China centers than on land operations to put down resistance of the Chinese.

793.94/14709

E.G.C.  
 FE:EGC:HES

MEP  
 FE  
 new

2-17-39

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

5432

EDA FROM HONG KONG VIA N.R.  
 A portion of this telegram must be closely paraphrased before being communicated to anyone (BR) Dated February 14, 1939

Received 9:30 a.m. 16th

Secretary of State  
 Washington

*of paraphrase*  
 COPIES SENT TO  
 O.N.I. AND M.I.D.  
*in confidence DT*

*File on*  
 Division of  
 FAR EASTERN AFFAIRS  
 FEB 16 1939  
 Department of State  
*by*

February 14. Following from Saigon.  
 "February 13, 4 p.m.

(GRAY) Local press editorials of yesterday emphasize increasing uneasiness of the French here due to the occupation of Hainan and possible threat to the commerce of French Indo-China and Kwangchow. Occupation described as step toward another forced Munich agreement to the detriment of French prestige and interests in the Orient. Concerning reported instructions received by the Japanese navy to refrain from all action which might strain French-Japanese relations. High Government officer stated to me today Japanese Government had assured French Ambassador Tokyo last year that Hainan would not be occupied. Well informed opinions here are that strategic advantage gained by the Japanese might have been obviated had France made timely public declaration that such would not be tolerated when it became evident following Japanese attacks on Yunnanfu, Nanning and Pakhoi that objective of Japanese military authorities was to close commercial routes to Kwangsi

793.94/14710

F/A

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

5433

EDA - 2 - February 14 from Hong Kong

Kwangsi and Yunnan. High Government officers emphasize necessity of material moral support of France and England by the United States to obviate further encroachment by Japan pending solution of conflict. Governor General of Straits Settlements flew from Saigon to Hue by French military airplane February 10 to confer with the Governor General of French Indo-China. Admiral in command French war ships in the Orient now at Saigon. Information contained in the telegram from the Consul at Yunnanfu to the Department January 23, 6 p.m., still unconfirmed. Press of yesterday reported Wang Ching-wei at Dalat. Governor of Cochin China could not confirm the report today". (END GRAY).

lws  
3/6/39  
 Saigon requests that the Department furnish a confidential <sup>code</sup> ~~message~~ in which is considered necessary there. Relaying of this message has been delayed because no United States naval vessel is now in Hong Kong.

Repeated to Chungking.

SOUTHARD

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

*b*  
 (CONFIDENTIAL)

PARAPHRASE

CONFIDENTIAL

A telegram of February 14, 1939, from the American Consul General at Hong Kong quotes a telegram of February 13 from the Consul at Saigon which reads substantially as follows:

Editorials in the Saigon press of February 13 emphasize increasing uneasiness of the French at Saigon due to the occupation of Hainan and possible threat to the commerce of French Indochina and Kwangchow. Occupation described as step toward another forced Munich agreement to the detriment of French prestige and interests in the Orient. Concerning reported instructions received by the Japanese navy to refrain from all action which might strain French-Japanese relations. A high Government official stated to the Consul on February 13 that the Japanese Government had assured the French Ambassador at Tokyo last year that Hainan would not be occupied. Well informed opinions at Saigon are that strategic advantage gained by the Japanese might have been obviated had France made timely public declaration that such would not be tolerated when it became evident following Japanese attacks on Yunnanfu, Nanning, and Pakhoi that objective of Japanese military authorities was to close commercial routes to Kwangsi and Yunnan. High Government officers emphasize necessity of material  
 moral

793.74/17110

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

-3-

moral support of France and England by the United States to obviate further encroachment by Japan pending solution of conflict. Governor General of Straits Settlements flew from Saigon to Hue by French military airplane February 10 to confer with the Governor General of French Indochina. Admiral in command of French warships in the Orient is now at Saigon. There is still no confirmation of the report of January 23 from the Consul at Yunnanfu to the effect that Wang Ching-wei and General Doihara had been seen together in the hotel at Tamsoto about the middle of January. The newspapers of February 12 reported Wang Ching-wei at Dalat. The Governor of Cochinchina could not confirm this report on February 13.

793.94/14710

880  
 FE:Christenson:HES  
 2-17

FE  
 new

**MICROCOPY**

**976**

**ROLL**

**59**

**EMID**

